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March 18, 2004

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110

Re: D.T.E. 99-19, Boston Edison Company, Cambridge Electric Light Company,  
Commonwealth Electric Company, NSTAR Gas Company, NSTAR Merger  
Savings Report

Dear Secretary Cottrell:

Enclosed for filing is the Allocation Report (the "Report") of Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company and NSTAR Gas Company ("NSTAR" or the "Company") in the above-referenced proceeding. The Company is filing the Report in compliance with the Department of Telecommunications and Energy (the "Department") order in D.T.E. 99-19, which directed NSTAR to file its method for allocating costs among its operating companies. D.T.E. 99-19, at 94-95 (1999). The Report describes the post-merger corporate structure of NSTAR and the manner in which costs are assigned and allocated to each of its operating companies.

More than 91 percent of the costs incurred by NSTAR are directly assigned to one of its operating companies. The remaining 8.35 percent of the costs are allocated to the operating companies through the application of a process that develops allocation factors based on cost-causation principles. The Report describes the corporate organization of NSTAR and how costs are attributed to its operating companies. The Report summarizes each of the business functions, whose costs are allocated among the operating companies and details the activities performed within each function. Four attachments to the Report show the application of the allocation process to costs incurred in 2002.

- ⇒ Attachment 1 shows the total expenses incurred by the NSTAR's regulated utility companies and indicates the portion of costs that are allocated.
- ⇒ Attachment 2 shows the allocation of costs to NSTAR's operating companies for cost areas and business functions.

Letter to Secretary Cottrell

D.T.E. 99-19

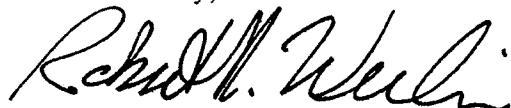
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- ⇒ Attachment 3 shows the calculation and development of each allocator applied in the allocation process.
- ⇒ Attachment 4 is a diagram of NSTAR's corporate structure.

This filing is being made to fulfill the Company's obligation under the Department's approvals in D.T.E. 99-19. If there are any questions, please don't hesitate to call. Thank you for your attention to this matter.

Sincerely,



Robert N. Werlin

Enclosure

cc: Service List

# NSTAR ALLOCATION REPORT

March 18, 2004

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## NSTAR Allocation Report

This NSTAR Allocations Report (the Report) is filed in accordance with the requirements of the order of the Department of Telecommunications and Energy (the Department) in D.T.E. 99-19, which approved the rate plan filed by Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company and NSTAR Gas, f/k/a Commonwealth Gas Company. In that order, the Department required NSTAR to file its method for allocating costs among its operating companies. D.T.E. 99-19, at 94-95 (1999). The Report describes the post-merger corporate structure of NSTAR and the manner in which costs are assigned and allocated to each of its operating companies. By way of example, the Report also includes the results of the cost-allocation methodology for calendar year 2002, which shows the calculation and application of each allocator.

- **NSTAR Organization and Corporate Structure**

NSTAR was created in 1999 through the merger of BEC Energy and Commonwealth Energy System.

NSTAR (or the Company) is an energy delivery company engaged primarily in the transmission and distribution of energy. NSTAR serves approximately 1.4 million customers in Massachusetts, including approximately 1.1 million electric customers in 81 communities and 300,000 gas customers in 51 communities. NSTAR is a public utility holding company generally exempt from the provisions of the Public Utility Holding Company Act of 1935. NSTAR's retail utility subsidiaries are Boston Edison Company (Boston Edison), Commonwealth Electric Company (ComElectric), Cambridge Electric Light Company (Cambridge Electric) and NSTAR Gas Company (NSTAR Gas). NSTAR's three retail electric companies operate under the brand name "NSTAR Electric." Its wholesale electric subsidiary is Canal Electric Company (Canal). Since the sale of its share in Seabrook Station in October of 2002 Canal's sole asset is an investment in a Hydro Quebec transmission line. Canal no longer has any wholesale electric activity. NSTAR's non-utility, unregulated operations include district energy operations (Advanced Energy Systems, Inc. and NSTAR Steam Corporation), telecommunications operations (NSTAR Communications, Inc. (NSTAR Com)) and a liquefied natural gas service company (Hopkinton LNG Corp.). Utility operations accounted for approximately 96 percent of consolidated operating revenues in 2003, 2002 and 2001.

- Parent Company

At the top of the NSTAR organizational structure is the NSTAR Parent. Organized as a Massachusetts Business Trust upon its formation in 1999, the NSTAR Parent has no operations or employees. The NSTAR Parent is a publicly traded company on both the New York and Boston Stock Exchanges. As a publicly traded company, the Parent incurs costs related to shareholder

## NSTAR Allocation Report

matters such as the Annual Shareholders Meeting, Board of Trustees fees and other costs, Proxy Statements and the payment of dividends. In addition, the Parent Company also incurs costs related to the issuance of long and short-term debt financings.

### ➤ Utilities

NSTAR Electric currently supplies electricity at retail to an area of 1,702 square miles. The territory served includes the City of Boston and 80 surrounding cities and towns, including Cambridge, New Bedford, and Plymouth and the geographic area comprising Cape Cod and Martha's Vineyard. The population of this area is approximately 2.3 million. In 2003, NSTAR Electric served approximately 1.1 million customers.

NSTAR Gas distributes natural gas to approximately 300,000 customers in 51 communities in central and eastern Massachusetts covering 1,067 square miles and having an aggregate population of 1.2 million. Twenty-five of these communities are also served with electricity by NSTAR Electric. Some of the larger communities served by NSTAR Gas include Cambridge, Somerville, New Bedford, Plymouth, Worcester, Framingham, Dedham and the Hyde Park area of Boston.

### ➤ Nonregulated Companies

NSTAR's unregulated operations segment engages in businesses that include district energy operations, telecommunications and liquefied natural gas service. District energy operations are principally provided through its Advanced Energy Systems, Inc. (AES) subsidiary that generates chilled water, steam and electricity for use by hospitals and teaching facilities located in Boston's Longwood Medical Area. NSTAR Steam supplies steam to customers in Cambridge. Telecommunications services are provided through NSTAR Communications, which installs, owns, operates and maintains a wholesale transport network for other telecommunications service providers in the metropolitan Boston area to deliver voice, video, data and Internet services to customers. Hopkinton LNG Corp provides liquefied natural gas service.

Beginning in 1997, NSTAR Communications participated in a telecommunications venture with RCN Telecom Services, Inc. of Massachusetts, a subsidiary of RCN Corporation (RCN). As part of the Joint Venture Agreement, NSTAR Communications had the option to exchange portions of its joint venture interest for common shares of RCN at specified periods. NSTAR Communications exercised this option and exchanged its entire joint venture interest for common shares of RCN over several years through 2002. As of December 31, 2002, NSTAR Communications no longer participated in the joint venture but held approximately 11.6 million common shares of RCN. On December 24, 2003, NSTAR abandoned its common shares of RCN. Therefore,

## NSTAR Allocation Report

NSTAR Communications no longer has any ownership interest in either RCN or the joint venture.

### ➤ NSTAR Electric & Gas Corporation

As part of the merger of BEC Energy and Commonwealth Energy System in 1999, NSTAR determined that it would be cost effective and efficient for certain business functions of NSTAR's separate operating companies to be performed on a centralized basis. NSTAR created NSTAR Services Company, whose name was later changed to NSTAR Electric & Gas Corporation (also d/b/a NSTAR Electric & Gas Company) ("NE&G"), to perform these centralized functions. NE&G provides a variety of services to the operating companies, including: (1) finance and accounting; (2) human resources; (3) legal services; (4) information technology; (5) corporate relations; (6) customer care; (7) business services; (8) gas operations; (9) electric operations; and (10) Executive Office guidance. Except for employees of NSTAR's unregulated subsidiaries, all NSTAR employees are employees of NE&G.

The services provided by NE&G are similar to those that were provided to Commonwealth Electric, Commonwealth Gas and Cambridge Electric Light Company by ComEnergy Services Company. In addition, other utilities under the jurisdiction of the Department, including National Grid USA, Northeast Utilities and Fitchburg Gas & Electric Light Company, use service companies to provide centralized services.

### ➤ Cost Attribution Process

When NE&G incurs costs for goods or services for a specific operating company, these costs are directly assigned to that operating company. For example, employees of NE&G are required to "direct charge" their time on weekly time sheets to the specific operating company for which they worked when it can feasibly be determined. There are also categories of significant costs that are not employee related (depreciation, interest expense, amortization of regulatory assets, purchased power, income taxes and property taxes) and are directly assigned. Attachment 1 analyzes total costs incurred in 2002 for the NSTAR utility companies as reported in their FERC Form 1s. The attachment indicates that of almost \$3 billion in reported expenses, only \$243 million (8.35 percent) was allocated from NE&G to the utilities (Attachment 2).

When costs are incurred to serve the operating companies more broadly, such costs are allocated among the operating companies based on an allocation methodology. Each cost area (the term "cost area" refers to a department of the company for which costs are separately tracked) is assigned an allocation factor that serves as a proxy for how costs in that area are incurred on behalf of each applicable operating company. The allocation factor is applied to the total costs within the cost area to determine the proportional responsibility of each operating

## NSTAR Allocation Report

company. The charges resulting from the allocation methodology reflect the actual costs incurred by NE&G. The costs incurred are not adjusted or otherwise "marked-up" to obtain additional revenues from the operating companies. A detailed summary of the allocation formulas is provided as Attachment 3. The resulting allocations are provided in the aforementioned Attachment 2.

In some cases, the costs incurred by NE&G can be directly assigned to a particular operating company. For example, all costs that are booked to Gas Operations are directly assigned to NSTAR Gas. Similarly, some of the activities performed within a particular function may not be allocated to all of the subsidiaries because not all of the subsidiaries are receiving the benefit of the service. For example, Customer Care is allocated exclusively among the four retail utility operating companies because there are no "retail customers" associated with the unregulated subsidiaries that are served by NE&G customer-care personnel. The unregulated subsidiaries manage their own customer relationships.

The allocation methodologies are designed to be proxies for cost causation within a particular function. For example, the Human Resources function uses an allocator based on the direct labor charged to each company. Allocations are made only after it is determined that it is not practical or reasonably possible to perform a direct assignment of NE&G costs.

The allocation factors are adjusted on an annual basis utilizing the actual financial and statistical data of the most recently completed fiscal year. The review and adjustment of the factors is performed during the early part of each year. This review and adjustment includes meeting with department managers to determine whether the allocation methods remains a reasonable proxy for amount of support given to each subsidiary. In addition, the factors are recalculated to reflect the actual data from the previous year. A retroactive adjustment is made to adjust the billings back to January to reflect the updated factors. This is typically performed during the second quarter each year, after the prior year's financial and statistical data are finalized.

As is evident by the proportion of utility versus non-utility operations of NSTAR, the majority of NE&G functions are performed for the benefit of the four regulated utility operating companies. The remaining nine subsidiaries generally require limited facilities and few employees because of the limited nature of their operations in comparison to the utilities. In fact, the vast majority of employees and facilities that provide services to the unregulated subsidiaries are dedicated fully to those subsidiaries. The majority of employees who provide services to AES are actually AES employees with completely separate employee benefit plans. Therefore, these facilities and employees are directly assigned to the individual companies and do not require many of the services provided by NE&G. Of the nine unregulated subsidiaries, only NSTAR Communications, NSTAR Steam Company and AES operate with substantial physical assets and

## **NSTAR Allocation Report**

employees that perform business functions outside of core utility operations of NSTAR. As a result, the total NE&G costs that are not directly assigned are allocated primarily to the regulated operating companies rather than the remaining subsidiaries. However, where appropriate, NE&G costs are allocated to all affiliates, including unregulated affiliates, using considerations of the number of customers, operating revenues and overall capitalization as a proxy to estimate the proportionate support to these affiliates.

### ➤ Functions Provided by NE&G

NE&G business activities that it performs for the operating companies and are not directly assigned are separated into ten general functions: (1) Business Services; (2) Human Resources; (3) Gas Operations; (4) Electric Operations; (5) Information Technology; (6) Customer Care; (7) Chief Financial Officer; (8) Executive Officers; (9) Corporate Relations; and (10) Strategy and Law. In turn, these functions are made up of a variety of individual cost areas reflecting the company's management structure and the underlying activities performed within the function. A description of the primary activities of each of the ten functions is set forth in Table 1, below:

## NSTAR Allocation Report

**Table 1**

<u>NE&amp;G Function</u>	<u>Description of Primary Activities</u>
Business Services	Warehousing and distribution of warehoused equipment and supplies, purchasing and materials management, property management and maintenance, materials disposal and process management
Human Resources	Hiring, payroll, technical training, corporate security, and revenue protection
Gas Operations	Gas supply systems operation, engineering, technical services, gas distribution and systems services, meter shop and service dispatch.
Electric Operations	Substation, transmission and, distribution engineering emergency preparedness, vegetation management, system support and planning.
Information Technology	Operations, infrastructure, IT research, planning and architecture. Project management, business systems management. Management of human resources systems, customer service systems and data resources.
Customer Care	Account management, billing, customer interaction center, gas sales and marketing, meter operations and meter operations support.
Finance and Accounting	Internal auditing, corporate finance and investor relations, accounting and finance, treasury, financial and strategic planning and policy, finance and accounting and performance management.
Executive Office	Chairman and CEO.
Corporate Relations	Corporate relations, community relations and economic development and regulatory relations
Strategy and Law	Energy supply and transmission, gas supply planning and procurement, transmission and power supply, load forecasting and estimation services, secretary and general counsel, legal department.

## NSTAR Allocation Report

- **Cost Area Overview**

All financial transactions recorded in NSTAR's accounting system require a cost area designation. All expenditures are budgeted and accounted for at the cost area level. Therefore, the actual cost area activity is the basis for the allocations made by NSTAR's service company, NE&G, to the various NSTAR operating subsidiaries (see Attachment 4 for a chart of the NSTAR corporate structure).

The costs incurred by NE&G are categorized based on the following corporate functions, each of which is composed of numerous cost areas:

- Executive Office
- Finance and Accounting
- Human Resources
- Corporate Relations
- Information Services
- Customer Care
- Gas Operations
- Electric Operations
- Strategy, Law and Policy
- Business services

A description of the services performed by these functional areas and the methodology used to allocate the related expenses follows. The detailed allocations of these functional departments by cost areas are illustrated in Attachment 2. There is no a one-for-one relationship between departments described herein and the cost areas because certain departments are combined or segregated for billing purposes.

The allocation methodologies tend to use the same basic formula within a given function; however, the formula is applied only to the companies receiving the service being allocated. The allocations to operating companies have been determined by NE&G's financial management and reviewed with the functional areas providing the services to confirm the appropriateness of the allocators.

## **NSTAR Allocation Report**

- Executive Office**

Functions:

- The Executive Office is composed of the CEO and his direct staff. The Executive Office provides the leadership, goals and strategic direction for the NSTAR and all of its subsidiaries.

Allocation Method Formula: (1)

## **NSTAR Allocation Report**

### **• Finance and Accounting**

Functions:

#### **➤ Accounting**

- Performs all primary accounting functions and oversees payroll, fixed asset and accounts payable activities.
- Establishes and monitors accounting policies and procedures in accordance with generally accepted accounting principles (GAAP).
- Responsible for monthly accounting closing process, analysis of corporate financial results, general ledger account reconciliations, safeguarding of assets and maintenance of internal controls sufficient to meet Department, FERC and SEC reporting rules and regulations, including the requirements of Section 404 of the Sarbanes-Oxley Act.
- Coordinates these activities with all functional areas to ensure complete, timely, accurate and consistent reporting.
- Provides analysis and documentation of accounting activity to NSTAR's independent outside auditors in sufficient detail to allow timely filing of quarterly and annual reports with the SEC, FERC and Department.
- Prepares and maintains records and reports necessary to comply with regulatory and industry requirements. Provides guidance on accounting issues throughout the corporate organization.
- Prepares and files the FERC Form 1 and the Annual Reports and Affiliate Transactions Report to the Department.

Allocation Method Formula: General accounting services (2)

Allocation Method Formula: Fixed Asset Accounting (26)

Allocation Method Formula: Accounts Payable (25), based on invoices processed

#### **➤ Budgeting & Forecasting**

- Prepares annual, quarterly and monthly corporate financial forecasts. This includes the forecasting and analysis of corporate revenues, capital and O&M expenditures, cash flows and other financial matters.
- Monitors and reports variances from budget and investigates unusual activity.

## **NSTAR Allocation Report**

- Provides monthly reports to management on corporate performance vs. budget plan.

Allocation Method Formula: (2)

### ➤ **Financial Reporting**

- Accumulates financial information and prepares reports required by the financial community, regulatory agencies and internal management.
- Provides financial statements and analysis to management for NSTAR and each of its subsidiaries on a monthly basis.
- Prepares consolidated financial statements on a monthly basis.
- Prepares and distributes all external financial reports including the Annual Report to Shareholders and SEC filings (10-K, 10-Q and 8-K) and notifications.
- Accumulates, interprets and distributes data related to new reporting and regulatory requirements.
- Monitors all developments in accounting and financial reporting standards and assesses their impact on NSTAR and its subsidiaries.

Allocation Method Formula: (2)

### ➤ **Taxes**

- Prepares all tax returns and related reports for NSTAR and all subsidiaries, as required.
- Ensures compliance with all applicable state and federal tax laws.
- Ensures proper payment of tax liabilities through informed application of tax laws and regulations.
- Analyzes tax laws and rulings regarding proposed transactions and recommends appropriate actions.
- Prepares and files estimated and final federal and state income tax returns, excise, sales and use and gasoline tax returns as well as federal and state informational and other related returns, forms and supporting data.
- Reviews and processes municipal property tax bills.
- Ensures that income and property taxes are properly accounted for on the Company's books of record each month.

## **NSTAR Allocation Report**

- Works with federal and state tax examiners and other authorities, provides documentation and support as required.

Allocation Method Formula: (2)

### **➤ Unregulated Accounting**

- Monitors accounting for NSTAR's unregulated subsidiaries (refer to corporate flow chart) for adherence to NSTAR accounting standards.
- Assists with the integration of unregulated activity into the corporate financial and accounting systems.

Allocation Method Formula: (4)

### **➤ Regulatory Policy and Rates**

- Develops and administers tariffs and special contracts at wholesale and retail for electric and gas service in conformance with applicable regulations of the Department and FERC.
- Designs rates for service to customers at retail and wholesale and analyzes the resulting revenue implications of those rate designs.
- Performs cost-of-service allocation studies.
- Contributes to the review and regulatory oversight of filings submitted to regulatory agencies.
- Provides testimony in public hearings as required.
- Provides rate related data, implements procedures to assure uniform application and proper billing of rates on a continuing basis, computes and administers automatic adjustment clauses and prepares associated regulatory filings.
- Manages the preparation of rate adjustment filings, tariff filings and other related filings submitted to regulatory agencies.

Allocation Method Formula: (3)

### **➤ Environmental Affairs**

- Monitors and implements NSTAR's subsidiaries' compliance with environmental regulations including state and federal superfund cases.
- Works with the Federal EPA and Mass Department of Environmental Protection in resolving environmental impairment cases.

## **NSTAR Allocation Report**

- Investigates all potential hazardous waste violations and recommends remediation actions.

Allocation Method Formula: (2)

### **➤ Financial & Strategic Planning**

- Evaluates financial and business plan alternatives.
- Evaluates potential business expansion opportunities, including merger and acquisition opportunities as directed by Senior Management.
- Assesses the strategic directions of NSTAR business segments and subsidiaries.

Allocation Method Formula: (2)

### **➤ Corporate Performance Management**

- Develops and monitors performance metrics and productivity guidelines and goals for all NSTAR organizations.
- Works directly with Senior Management to develop corporate goals and measures performance against those goals.
- Serves as an internal consulting resource on effective business practices.

Allocation Method Formula: (18)

### **➤ Real Estate and Investments**

- Manages all activities related to company-owned real estate including construction, marketing, property management and brokerage activities.
- Works with Operations to identify underutilized assets, researches available parcels that may have future use for system operations and recommends future development projects.
- Maintains continual contact with city officials, real estate boards and community leaders and represents NSTAR at local hearings and local board meetings.

Allocation Method Formula: (5)

### **➤ Risk Management**

- Determines appropriate levels of property, liability, workers compensation and directors and officers liability insurance and evaluates self-insurance options.

## **NSTAR Allocation Report**

- Negotiates policy coverages with insurance carriers. Assists NSTAR companies in filing claims and obtaining appropriate settlements.

Allocation Method Formula: (5)

Insurance premiums themselves are not allocated by the NE&G. Most insurance premiums are in the name of NSTAR (Parent Co). Prepaid insurance is therefore recorded at the Parent and is allocated directly to the operating subsidiaries based on factors that drive the insurance costs as indicated by the insurance carriers. For example, property insurance is allocated based on the replacement values insured for each company.

### **➤ Claims Administration**

- Evaluates damage and liability claims against NSTAR.
- Works with legal counsel and investigators to determine validity of claims and recommends settlement amounts where appropriate.
- Defends the company's interests with regard to property damage claims by NSTAR subsidiaries against third parties.

Allocation Method Formula: (18)

### **➤ Office Services**

- Collects and distributes all interoffice mail and conducts all shipping and receiving activities.
- Coordinates and administers off site storage of company documents for all departments with outside vendor; interprets and ensures compliance with record retention regulations.
- Responsible for the insertion and mailing of all customer billings and other mass mailings; ensures compliance with U.S. Postal service regulations.

Allocation Method Formula: (27)

### **➤ Corporate Finance and Cash Management**

- Conducts studies and develops proposals to economically finance NSTAR operations.
- Prepares and handles indentures and mortgage bond filing matters.
- Responsible for the preparation and presentation of testimony and exhibits required as part of financing and rate filings with regulatory agencies.

## **NSTAR Allocation Report**

- Maximizes the use of internal cash generation and provides for timely investment of funds or borrowings.
- Provides assistance in the preparation, review and interpretation of cash forecasts.
- Schedules the disbursement of funds and handles all wire transfers.
- Responsible for the payment of debt principal and interest and maintaining bank relations.
- Arranges for letters of credit, short-term borrowings and repayments and purchases of bonds and notes and for complying with sinking fund requirements.

Allocation Method Formula: (5)

### **➤ Investor Relations**

- Responsible for records relating to common and preferred shareholders that are maintained by a transfer agent.
- Serves as primary contact for NSTAR shareholders, brokerage firms and rating agencies.
- Informs the investing public of NSTAR's major financing and operating plans.
- Provides information to, and meets with, public debt rating agencies in support of NSTAR's debt ratings.
- Primary point of contact for all investor-related inquiries for NSTAR.

Allocation Method Formula: (6)

### **➤ Auditing**

- Plans and implements a broad comprehensive program of internal auditing to provide management and the Audit Committee with independent and objective appraisals and evaluations.
- Reviews and evaluates the adequacy and effectiveness of financial and operational controls and procedures and assists in developing and testing documentation used to comply with Section 404 of the Sarbanes-Oxley Act.
- Performs special examinations as requested by management.
- Communicates results of audit examinations including recommendations for improvements and evaluation of corrective actions taken.

## **NSTAR Allocation Report**

- Discusses with Senior Management and the Audit Committee matters of material interest or concern and other internal audit activities.

Allocation Method Formula: (2)

## **NSTAR Allocation Report**

### **• Human Resources**

#### **Functions:**

##### **➤ Employee and Labor Relations**

- Establishes and administers selection, employment, placement, promotion, transfer and manpower planning procedures adequate to insure a satisfactory supply and flow of qualified candidates to meet personnel requirements.
- Assists hiring departments with the search for and interview of qualified candidates.
- Develops, analyzes and summarizes statistical reports on applications, hires, promotions, transfers, terminations, labor market availability, utilization and workforce analysis.
- Coordinates and assists in formulation and interpretation of personnel policies.
- Advises and counsels supervisory personnel on administration of disciplinary procedures in accordance with Company policy.
- Coordinates and conducts pre-employment and first line supervisory testing.
- Monitors and controls Affirmative Action Program.
- Facilitates labor contract negotiations. Interprets the provisions and agreements and advises management regarding labor relations and personnel issues.
- Creates and maintains hiring and employment policies to ensure compliance with labor regulations of federal and state agencies, the Federal Mediation Board and the National Labor Relations Board.

#### **Allocation Method Formula: (7)**

##### **➤ Learning & Performance**

- Designs and administers training programs for all corporate functions.
- Maintains testing programs for employees to ensure for compliance with NSTAR and governmental standards.
- Designs and manages corporate Performance Management, Diversity and Employee Recognition programs.

## **NSTAR Allocation Report**

- Communicates Equal Employment Opportunity Awareness and conducts training on work place issues.

Allocation Method Formula: (7)

➤ **Compensation and Benefits**

- Administers wage, salary and merit rating programs.
- Maintains database of market salary data to ensure continued competitiveness of NSTAR's compensation programs.
- Administers all employee related benefit programs (pension, post retirement benefits, medical benefits, 401k Plan).

Allocation Method Formula: (7)

➤ **Safety, Health Services & Corporate Security**

- Designs and provides safety training courses and monitors accident rates.
- Provides assistance to employees, family members and retirees with their resolution of health related problems.
- Maintains random drug testing program.
- Handles workers compensation claims and determines employee's fitness for work.
- Responsible for overall corporate security at multiple NSTAR locations.
- Responsible for work performed by outside security agencies and for investigating any fraudulent claims or business practices.

Allocation Method Formula: (7)

## **NSTAR Allocation Report**

- **Corporate Relations**

Functions:

- **Government Affairs and Regulatory Relations**

- Monitors activities of federal and state governmental agencies to provide management with information regarding proposed legislation and regulation which has potential
- Plans and develops new concepts designed to ensure the capability of the operating companies in dealing with the requirements of governmental regulation and intervention.

Allocation Method Formula (Government Affairs): (9)\*

\* One account 100 percent to NSTAR Gas

Allocation Method Formula (Regulatory Relations): (10)

- **Communications Services and Media**

- Responsible for design and content of all employee and media (print, radio, TV, Internet) communications.
- Develops and implements Public Affairs and economic development programs.
- Assists public officials in resolving problems involving their constituents, NSTAR's customers and the NSTAR companies and responds to their requests for information.

Allocation Method Formula: (9)\*

\* One account in 2 cost areas is allocated 100 percent to NSTAR Gas; another account in one cost area is allocated on Formula (37).

## **NSTAR Allocation Report**

### **• Information Services**

Functions:

#### **➤ Business Management**

- Responsible for establishing budgets for the Information Services ("IS") organization and for monitoring and explaining budget variances and for providing progress reports on capital spending on an individual project basis.
- Manages resources required for IS capital projects. Determines level of consultant and internal support to be utilized to meet IS goals.

Allocation formulas: (16), (17)

#### **➤ Business Systems Management**

- Responsible for daily operation and maintenance of existing IS systems, including Work Management, Supply Chain, HR, Financial, Customer Service.
- Provides Internet expertise, maintain corporate website.
- Provides database management and system integration services for all IS systems.

Allocation formulas: (16), (17)

#### **➤ Data Resources Management**

- Maximizes data processing ability of IS systems by analyzing data flow and eliminating overlaps in data storage and data processing capability.
- Responsible for data delivery services.

Allocation formula: (16)

#### **➤ Project Management Office**

- Provides project management expertise to IT organization

Allocation formulas: (16), (17)

## **NSTAR Allocation Report**

### **➤ Enterprise Infrastructure Services**

- Responsible for security and risk management. Ensures that IS file security and disaster recovery procedures meet corporate standards for protecting data and maintaining system integrity
- Runs the corporate data network.
- Manages voice and wireless networks.
- Responsible for Internet and application services.

Allocation formulas: (16), (17)

### **➤ Technology Research, Planning and Architecture**

- Responsible for technology planning. Assesses status of IS technical capabilities and capacity and how best to integrate new technology. Determines how and when existing systems need to be replaced.
- Tests and integrates new technology.
- Manages mainframe and mid-range operating platforms. Recommends best use of current IS systems.
- Manages E-Business technology and activity

Allocation formulas: (16), (17)

## **NSTAR Allocation Report**

- **Customer Care**

Functions:

- **Customer Interaction Center (CIC)**

- Manages customer call center which handles all customer inquiries related to account balances and payment plans. Works with customers to resolve disputes.
- Supports hardware and software systems required for daily operation of the CIC

Allocation Formula: (28)

- **Credit/Collections & Revenue Protection**

- Responsible for collecting overdue accounts.
- Investigates unusual usage patterns that may indicate theft of electricity or gas. Takes appropriate legal actions to protect revenue of NSTAR utilities.

Allocation Formula: (28)

- **Meter Reading & Billing Services**

- Responsible for billing all residential customer accounts on a timely basis for electric and gas services provided by the utility companies in accordance with approved rate schedules.
- Responsible for posting customer cash received and maintaining accurate individual account balances.
- Designs and schedules meter reading routes. Responsible for the timing, frequency and accuracy of the meter readings.
- Operates meter lab to test and repair meters.
- Oversees proper distribution of funds collected for competitive energy suppliers.
- Handles all aspects of commercial/industrial accounts.

## **NSTAR Allocation Report**

- Provides technical assistance to commercial/industrial customers.

Allocation Formulas: (28) (30)

Energy Efficiency Services is another function of the Customer Care Organization. These services are direct-charged to the utility receiving the service and are not allocated by NE&G.

## **NSTAR Allocation Report**

### **• Gas Operations**

Functions:

- Develops overall gas business plan.
- Develops and monitors the performance management tracking of gas operations.
- Gas engineering services that support the supply, delivery and service of natural gas.
- Responsible for the activities related to the design and building of system infrastructures as well as system analysis and improvements.
- Technical services that ensure regulatory compliance of Gas Operations
- Prepare installation paperwork and project estimates.
- Responsible for updating and distributing physical gas system records.
- Ensures satisfactory excavation and surface restoration practices.
- Provides financial planning services for gas operations, including cost/benefit analyses of projects.
- Manages the monitoring and reporting of gas capital and O&M budgets.
- Develops and implements gas sales and marketing programs.

Allocation Method Formula:      None – all Gas Operations expenses are assigned 100 percent to NSTAR Gas

## **NSTAR Allocation Report**

### **• Electric Operations**

Functions:

- Responsible for the overall operation and maintenance of NSTAR's electric distribution and transmission system.\*
- Implements life-cycle preventive maintenance plan.\*
- Operates and maintains all electric substations.\*
- Plans and schedules capital and maintenance work so that it can be performed in a safe and efficient manner.\*
- Responsible for new customer hook-ups.\*
- Issues requirements, guidelines and standards for electricians, architects, engineers, builders and inspectors to use when their work involves NSTAR's electrical grid.\*
- Maintains Survey & Records department, which ensures that proper permits are obtained and documentation (drawings) of the physical electrical grid are maintained for all projects.\*
- Responsible for system planning and completing construction on NSTAR Electric's distribution and transmission system as required to meet customer demand.
- Develops and implements emergency preparedness plan including manuals, staffing requirements, policies, forms and training.
- Provides vegetation management services.
- Provides engineering services and expertise for distribution and transmission projects.

Allocation Method Formula: (32) (37)

Allocation Method Formula: (36) Vegetation Management

\* No allocation, these functions are direct charged to the electric utility receiving the service.

## NSTAR Allocation Report

### • Strategy, Law and Policy

Functions:

#### ➤ Legal Services

- Reviews and approves all legally binding contracts for NSTAR.
- Represents NSTAR in courts and at administrative and regulatory agencies in real estate, consumer and employee related matters.
- Prepares advisory memoranda, advice and opinions as requested by senior management.
- Assists and participates in planning and decision-making process of senior management.
- Negotiates, prepares and obtains documents and certificates in connection with corporate financial transactions; attests to and certifies corporate documents insuring compliance with reporting and filing requirements of governmental bodies, including the SEC, FERC, the Department and the Secretary of the Commonwealth.
- Prepares notices, agendas and minutes of shareholders, trustees and directors meetings.
- Assists in preparation of necessary documents and other matters related to the Annual Meeting of Shareholders
- Coordinates the implementation of legal services provided by outside legal firms.
- Establishes and monitors compliance with Corporate Code of Ethics.

Allocation Method Formula: (14) Internal legal services

Allocation Method Formula: (15) External legal services

#### ➤ Energy Supply & Transmission

- Electric & Gas Contract Administration negotiates contract terms for purchased power and transmission wheeling contracts; provides required accounting and financial reporting information on said contracts.
- Represents NSTAR Electric's interests with the New England Independent System Operator (ISO)
- Electric & Gas Load Forecasting estimates system load requirements.
- Transmission Business Strategy develops rates for our transmission customers, files required documentation with the FERC and performs analysis to maximize return on transmission assets.

## **NSTAR Allocation Report**

- Electric & Gas Energy Supply is responsible for identifying least-cost energy suppliers for NSTAR's default service and standard offer customers and for gas supplies sufficient to meet expected customer demand at the best available price.

Allocation Method Formulas: (13), (32), (37)

## **NSTAR Allocation Report**

### **• Business Services**

Functions:

#### **➤ Distribution and Warehousing**

- Responsible for safekeeping of inventory, spare parts, lobby stock and other supplies used in operating NSTAR's gas and electric systems.
- Responsible for accounting for inventory items including taking physical inventories and reconciling counts to accounting records.

Allocation Method Formulas: (19-21), (23)

#### **➤ Facilities Services**

- Coordinates office assignments and relocations.
- Provides furniture for all NSTAR office facilities
- Contracts for and monitors cleaning services
- Performs space-utilization analysis to make the most efficient use of office and warehouse space.
- Contracts for and monitor pest control
- Contracts for maintenance of HVAC systems
- Contracts for and monitors snow/lawn care and rubbish removal

Allocation Method Formulas: (18), (22)

Note: In cases where a specific facility cost area is dedicated to one utility its cost is directly assigned and the allocation formulas are not used.

#### **➤ Procurement**

- Coordinates all outside purchases of goods and services.
- Sets guidelines for purchase orders, manages vendor bidding process where applicable.
- Maintains lists of approved vendors.
- Assists NSTAR personnel in all aspects of purchasing outside goods and services, including the Request for Proposal (RFP) process.

## **NSTAR Allocation Report**

- Maintains and oversees the on-line Contract Management module for all approved purchase contracts.

Allocation Method Formula: (18)



**NSTAR Electric & Gas Corporation**  
**Expenses by Major Category, by Company**  
**2002**

Attachment 1

	BECo	Com EI	Camb EI	Gas	Canal	Totals	Reference **
O&M Expense	1,431,243,534	516,440,175	144,800,799	261,848,596	9,730,841	2,364,063,945	Pg 323 (pg 47)
Depreciation & Amort Exp	78,394,298	20,591,571	4,296,363	14,338,966	2,128,221	119,749,419	Pg 336 (pg 34)
Regulatory Debits	87,544,535	3,914,340	931,548	3,303,900	-	95,694,323	Pg 114, line 11 (pg 10, line 8)
Income Taxes - current	60,520,240	23,658,737	1,873,969	7,709,614	15,684,005	109,446,565	Pg 263, lines 8, 18 (pg 49, lines 4, 9)
Local Property Taxes	62,318,850	6,154,385	1,484,792	5,886,456	413,645	76,258,128	Pg 263 line 23 (pg 49, line 12)
Payroll Taxes	7,752,545	2,579,986	389,177	2,906,600	163,520	13,791,828	Pg 263 lines 26, 28 (pg 49, lines 6,7, 12)
Deferred taxes	29,552,160	(6,220,048)	3,005,755	3,699,833	(19,947,164)	10,090,536	Pg 114 lines 16-18 (pg 10, lines 9, 12,13)
Operating Exp	1,757,326,162	567,119,146	156,782,403	299,693,965	8,173,068	2,789,094,744	Pg 114, line 23 (pg 10 line 14)
Net Interest Charges	91,512,948	13,700,523	4,230,307	9,528,175	-	118,971,953	Pg 117 line 64 (pg 10, line 39)
Total expenses	<u>1,848,839,110</u>	<u>580,819,669</u>	<u>161,012,710</u>	<u>309,222,140</u>	<u>8,173,068</u>	<u>2,908,066,697</u>	
Expenses allocated from NE&G included above *	151,720,436	50,007,613	8,091,530	33,017,692	126,054	242,963,325	
Percent of costs allocated from NE&G	8.21%	8.61%	5.03%	10.68%	1.54%	8.35%	

\* Refer to Attachment 2 for details of NE&G allocation. NE&G allocations to other companies were \$3,609,829 for a total of \$246,573,154 allocated by NE&G to the operating companies in 2002.

\*\* References are to the FERC Form 1 for electric utilities and to the DTE Annual Report for NSTAR Gas. DTE Report references are indicated by ( )



NSTAR Electric & Gas Corporation  
Summary of Allocations by Major Function  
2002

Attachment 2  
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	\$ in millions														
	Boston Edison	Comm Electric	NSTAR Gas	Camb. Electric	Canal Electric	HEEC	NSTAR Comm	NSTAR wind	North Parent	NSTAR	BEC Funding	NSTAR Steam	Hopkint LNG	AES	Total
CFO, Executive Office, Business Services	\$ 35.28	\$ 8.98	\$ 7.32	\$ 1.97	\$ 0.08	\$ 0.08	\$ 0.25	\$ 0.01	\$ 1.19	\$ 0.02	\$ 0.20	\$ 0.11	\$ 0.28	\$ 55.75	
Strategy Law and Policy	6.57	1.56	1.61	0.34	0.05	0.03	0.11	0.00	0.36	0.00	0.02	0.01	0.16	10.84	
Human Resources	2.09	5.62	6.88	1.05	-	0.00	0.16	0.00	-	0.00	0.09	0.02	0.23	35.14	
Corporate Relations	5.83	1.44	1.29	0.32	-	0.01	0.00	0.00	-	-	0.05	0.03	-	8.98	
Total Electric Operation / Gas operation	11.33	7.95	1.06	0.54	-	-	-	-	-	-	-	-	-	20.88	
Customer Care / Shared Services	44.20	18.03	10.35	2.44	-	-	-	-	-	-	-	-	-	75.02	
Information Technology	27.40	6.43	4.50	1.43	-	0.02	0.08	0.01	-	0.00	0.07	0.04	0.00	39.97	
Total Service Co \$ Allocation	<u>151.70</u>	<u>50.01</u>	<u>33.02</u>	<u>8.09</u>	<u>0.13</u>	<u>0.14</u>	<u>0.60</u>	<u>0.02</u>	<u>1.55</u>	<u>0.02</u>	<u>0.43</u>	<u>0.20</u>	<u>0.67</u>	<u>246.57</u>	
Total Service Co % Allocation	61.52%	20.28%	13.39%	3.28%	0.05%	0.06%	0.25%	0.01%	0.63%	0.01%	0.17%	0.06%	0.27%	100.00%	
<b>\$ Allocation to utilities</b>														<b>242.95</b>	

**NSTAR Electric & Gas Corporation**  
**Allocations**  
**2002**

Attachment 2  
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Cost Area	Allocation Methodology	Boston Edison	Comm Electric	NSTAR Gas	Camb. Electric	Canal Electric	HEEC	NSTAR Comm	North wind	NSTAR Parent	BEC Funding	NSTAR Steam	Hopkint LNG	AES	Total	
1 26300 Chairman CEO	1	2,116,460	526,621	421,272	112,543	5,432	5,124	15,135	688	60,309	741	12,315	6,534	18,586	3,301,759	
2 21350 Business Services Vice P	18	105,129	24,513	18,152	5,617	0	412	0	21	0	92	490	288	0	154,715	
3 23600 Corporate Services	2	823,500	192,064	141,523	43,916	3,938	3,059	26,428	346	85,733	652	6,177	3,432	14,577	1,345,297	
<b>&gt;CCC1 Internal Audit</b>		<b>3,045,989</b>	<b>743,199</b>	<b>580,947</b>	<b>162,076</b>	<b>9,370</b>	<b>8,545</b>	<b>41,563</b>	<b>1,055</b>	<b>146,042</b>	<b>1,486</b>	<b>18,982</b>	<b>10,255</b>	<b>33,163</b>	<b>4,801,770</b>	
4 23810 Internal Audit	2	768,803	179,340	132,139	41,006	3,672	2,850	25,160	328	81,169	618	5,848	3,249	13,900	1,257,981	
<b>&gt;CCC2 Investor Relations</b>		<b>756,894</b>	<b>176,562</b>	<b>130,092</b>	<b>40,371</b>	<b>3,615</b>	<b>2,805</b>	<b>0</b>	<b>323</b>	<b>79,911</b>	<b>609</b>	<b>5,757</b>	<b>3,199</b>	<b>13,586</b>	<b>1,213,724</b>	
5 23010 Corporate Finance	5	509,140	118,723	87,860	27,199	2,629	1,981	2,359	203	0	443	3,750	2,102	9,378	766,286	
6 23605 Investor Relations	6	151,672	35,381	26,059	8,090	724	562	4,964	65	16,013	122	1,154	641	2,722	248,178	
7 23620 Investor Relations	2	1,417,706	330,866	244,021	75,659	6,968	5,349	7,322	591	95,924	1,173	10,681	5,941	26,187	2,228,167	
<b>&gt;CCC3 Controller's Organization</b>		<b>550,145</b>	<b>167,517</b>	<b>89,252</b>	<b>53,648</b>	<b>10,237</b>	<b>290</b>	<b>0</b>	<b>0</b>	<b>35,524</b>	<b>0</b>	<b>2,647</b>	<b>1,587</b>	<b>916,802</b>		
8 20105 Accounts Payable	25	2,603,510	589,947	440,738	134,119	11,564	8,974	79,232	1,033	25,609	1,947	18,416	10,231	43,458	4,998,778	
9 23000 Controller VP	2	348,555	81,238	59,857	18,575	1,663	1,291	11,397	149	36,758	290	2,649	1,472	6,251	569,844	
10 23050 Budgeting and Forecastin	2	24,168	6,678	5,001	1,477	0	0	0	0	0	0	0	0	0	37,525	
23050 L3 - Budget Acct 556	37	26,295	7,484	5,441	1,607	0	0	0	0	0	0	0	0	0	40,827	
Acct 925	37	622,162	145,203	106,987	33,200	2,973	2,307	20,371	266	65,718	501	4,735	2,630	11,173	1,018,526	
11 23035 Taxes	2	802,286	187,069	138,536	42,870	4,192	0	0	0	0	0	5,876	3,289	0	1,184,128	
12 21020 Fixed Asset Accounting	26	336,300	78,449	57,802	17,937	1,606	1,246	11,006	144	35,506	270	2,558	1,421	6,037	550,283	
13 23015 Payroll	2	14 23085 Unregulated Accounting	4	5,213,422	1,263,785	903,615	303,433	32,236	14,108	126,486	4,959	429,125	5,666	91,680	49,296	128,064
															8,565,877	
<b>&gt;CCC4 Treasury</b>		<b>1,134,528</b>	<b>264,539</b>	<b>195,883</b>	<b>60,622</b>	<b>0</b>	<b>4,438</b>	<b>0</b>	<b>223</b>	<b>0</b>	<b>95</b>	<b>5,278</b>	<b>3,108</b>	<b>0</b>	<b>1,669,622</b>	
15 21025 Office Services	27	2,290,079	533,980	395,415	122,366	0	8,972	0	451	0	2,012	10,671	6,283	0	3,370,231	
16 21070 Claims	18	2,700,567	629,966	464,164	144,041	12,899	10,009	0	1,153	285,120	2,172	20,542	11,412	48,475	4,330,520	
17 23065 Real Estate, Property Tax	5	281,244	65,578	48,561	15,028	0	1,101	0	55	0	247	1,310	771	0	413,894	
18 32035 Records Management	27	6,406,417	1,494,063	1,104,032	342,057	12,899	24,521	0	1,882	285,120	5,426	37,801	21,574	48,475	9,784,267	
<b>&gt;CCC5 Financial and Strategic Planning and Policy</b>		<b>1,798,713</b>	<b>419,408</b>	<b>310,574</b>	<b>96,111</b>	<b>0</b>	<b>7,047</b>	<b>0</b>	<b>354</b>	<b>0</b>	<b>1,580</b>	<b>8,382</b>	<b>4,935</b>	<b>0</b>	<b>2,647,104</b>	
19 21576 Summit	18	736,271	171,751	126,548	39,271	3,517	2,729	24,095	314	77,734	592	5,600	3,111	13,216	1,204,749	
20 23500 Financial Strategic Plan V	2	753,945	175,801	130,154	40,283	3,921	2,947	0	0	0	0	0	0	0	1,107,052	
21 23510 Regulatory	3	698,869	165,260	120,291	37,329	3,343	2,594	22,904	299	73,891	563	5,324	2,958	12,563	1,145,185	
22 23515 Environmental Affairs	2															
<b>&gt;CCC6 F &amp; A Performance Management</b>		<b>858,907</b>	<b>200,272</b>	<b>148,303</b>	<b>45,894</b>	<b>0</b>	<b>3,365</b>	<b>0</b>	<b>169</b>	<b>0</b>	<b>755</b>	<b>4,002</b>	<b>2,357</b>	<b>0</b>	<b>1,264,024</b>	
23 21580 F & A Performance Manag	18	4,847,705	1,130,492	835,869	268,888	10,780	18,663	46,989	1,137	151,624	3,490	23,308	13,361	25,779	7,368,113	
Total Chief Financial Officer		21,699,142	5,141,545	3,800,623	1,183,119	75,926	74,054	247,529	9,952	1,189,004	17,859	188,279	103,676	275,67	34,006,176	

NSTAR Electric & Gas Corporation  
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		Allocation Methodology	Boston Edison	Conn Electric	NSTAR Gas	Conn Electric	Conn Electric	NSTAR Comm	NSTAR Comm	North Wind	NSTAR Parent	BEC Funding	NSTAR Steam	Hopkin LNG	AES	Total
<b>CCCC3 Controller's Organization</b>																
II211 Business Services Distribution and Warehousing	1	21355 Distribution and Warehousing Admin	19	1,633,861	380,969	282,110	87,303									2,384,242
	2	21370 Southboro Warehouse and Distributio				1,510,259										1,510,259
	3	21385 Framingham Warehouse and Distribut			100% Beco	388,798										388,798
	4	21395 Waltham Warehouse and Distribution			100% Beco	728,349										728,349
	5	21440 Somerville Warehouse and Distributio	23		625,748		108,044		33,436							767,229
	6	21455 Walpole Warehouse and Distribution			100% Beco	523,961										523,961
	7	21515 New Bedford Warehouse and Distribu	20			729,148	539,938									1,269,086
	8	21530 Plymouth Warehouse and Distribution	20			378,711	280,437									659,148
	9	21545 Yarmouth Warehouse and Distributio			100% CE		1,031,651									1,031,651
	10	21555 Wachusett Regional Facilities	21			681,165		151,512								812,677
	11	21570 Worcester Facility			100% Gas		147,860									147,860
					3,900,716	3,161,644	2,888,648	272,250								10,223,259
<b>II214 Purchasing and Materials Management</b>																
	12	21610 Purchasing and Materials Managerem	18	1,438,506	335,418	248,379	76,864		5,636	283	1,264	6,703	3,947			2,117,001
				1,438,506	335,418	248,379	76,864		5,636	283	1,264	6,703	3,947			2,117,001
<b>II213 Business Services Facilities</b>																
	13	21337 Dedham Facilities		100% Gas		55,705										55,705
	14	21371 Take Stations		100% Gas		21,029										21,029
	15	21400 Watertown Facilities		100% Beco	3,079											3,079
	16	21475 Mass Ave Facilities	22		6,447,768				344,525							6,792,233
	17	21425 Cambridge Warehouse and Distribut		100 % CEL					2,059							2,059
	18	21420 Cambridge Facilities		100 % CEL					(32,553)							(32,553)
	19	21485 Facilities Admin	19	1,190,132		277,504	205,493		63,503							1,736,722
	20	21595 Asset Performance - Warehouse and I	18		102,519	23,904	17,701		5,478		402	20	90	478	281	150,873
	21	21605 Process Management	18		229,260	53,457	39,985	12,250		898	45	201	1,068	629		337,395
	22	90000 Facility utility expenses	37		1,089,524	310,084	225,464	66,575								1,691,647
	23	Fleet Year end residual		Fleet Allocation	(817,493)	(346,932)	(275,379)	(24,347)								(1,464,151)
	24	21516 New Bedford Gas		100 % Gas		114,066										114,066
					8,244,788	318,018	403,664	437,580		1,300	65	281	1,548	910		9,408,163
		Total Business Services			13,584,014	3,835,079	3,520,691	786,695		6,936	349	1,555	8,249	4,957		21,748,422

NSTAR Electric & Gas Corporation  
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	Allocation Methodology	Boston Edison	Comm Electric	NSTAR Gas	Camb. Electric	Canal Electric	HEEC	NSTAR Comm	NSTAR Parent	North Wind	North Funding	BEC	NSTAR Steam	Hopkin LNG	AES	Total
<b>DDDD Strategy Law and Policy</b>																
1 28030	Strategy, Law & Policy Senior Vice	14	666,459	155,458	114,591	35,551	9,625	4,460	34,614	283	70,913	540	5,054	3,655	53,062	1,154,256
2 26025	Corporate Litigation	14	1,347,774	314,386	231,741	71,858	19,464	8,988	70,029	572	143,411	1,092	10,220	7,390	107,335	2,334,313
28025 (43) Legal Department	Acct 23750-01	15	2,377,493	520,107	465,519	103,821	783	0	6,349	402	142,408	0	1,766	317	4,372	3,923,336
		<b>4,391,727</b>	<b>969,950</b>	<b>811,850</b>	<b>211,270</b>	<b>29,872</b>	<b>13,460</b>	<b>110,892</b>	<b>1256</b>	<b>356,732</b>	<b>1,632</b>	<b>17,940</b>	<b>11,363</b>	<b>164,769</b>	<b>7,111,904</b>	
<b>DDI Energy Planning &amp; Procurement</b>																
3 1300	Energy Supply and Transmission	11	3,587	837	616	191	50	23	18	2	372	3	27	20	126	5,874
4 28035	Energy Supply and Transmission	37	472,766	152,088	101,923	39,582	0	0	0	0	0	0	0	0	0	737,388
5 26040	Gas Supply Planning and Procure	100% Gas	0	0	68,979	0	0	0	0	0	0	0	0	0	0	688,979
6 26045	Electric Energy Supply	13	1,285,740	300,562	0	70,728	20,206	16,727	0	0	0	0	0	0	0	1,703,964
	Acct 556	32	410,482	141,302	0	27,510	0	0	0	0	0	0	0	0	0	579,284
		<b>2,182,605</b>	<b>574,789</b>	<b>801,517</b>	<b>128,011</b>	<b>20,257</b>	<b>16,750</b>	<b>18</b>	<b>2</b>	<b>372</b>	<b>3</b>	<b>20</b>	<b>126</b>	<b>0</b>	<b>0</b>	<b>3,125,498</b>
	Total Strategy and Law		<b>6,574,332</b>	<b>1,564,739</b>	<b>1,613,367</b>	<b>340,281</b>	<b>50,129</b>	<b>30,200</b>	<b>111,010</b>	<b>128</b>	<b>357,104</b>	<b>1,635</b>	<b>17,940</b>	<b>11,392</b>	<b>164,895</b>	<b>10,537,401</b>

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																Total
				Boston	Comm.	NSTAR	Canal	NSTAR	North	NSTAR	BEC	NSTAR	Hopkin			
				Edison	Electric	Gas	Electric	Comm.	Wind	Parent	Funding	Steam	LNG	AES		
1	16555 Technical Training	32	515,732	147,325	31,566	101,593	31,439	2,305	116	517	2,742	1,614			694,625	
2	21075 Corporate Security	18	588,382	137,194	91,555	28,333										865,902
3	21080 Revenue Protection	19	530,251	123,639	963,396	6,684,607	1,054,736	164,383								773,778
4	26255 B2 - Human Resources	7	19,451,552	5,211,312	6,877,755			2,305	164,383	116	517	91,418	16,435	226,302	32,809,405	
	Total Human Resources		21,085,917	5,619,469								517	94,160	18,049	226,302	35,143,710

NSTAR Electric & Gas Corporation  
Allocations  
2002

		Allocation Methodology	Boston Edison	Comm Electric	NSTAR Gas	Canal Electric	HEEC	NSTAR Comm.	North wind	NSTAR Parent	BEC Funding	NSTAR Steam	Hopkint LNG	AES	Total	
FFFFF Corporate Relations	1 26135 Corporate Relations Senior Vice P1	9	4,457,355	1,045,384	1,004,761	233,288	0	6,343	3,222	3,487	0	0	47,258	24,251	0	6,825,348
26170 Community Programs	9	322,322	75,540	60,522	16,857	0	458	0	252	0	0	0	3,415	1,752	0	481,119
26170 & 26130 FERC Acct 426	37	354,322	100,842	73,323	21,651	0	0	0	0	0	0	0	0	0	0	550,37
26170 FERC Acct 426	100% Beco	(236,604)	0	0	0	0	0	0	0	0	0	0	0	0	(236,604)	
FFFFI Government Affairs	2 26160 Regulatory Relations	10	281,780	66,288	46,208	14,793	0	402	1,067	0	0	0	0	0	0	410,538
FFFF3 Community Relations and Economic Development	3 26160 Comm Rel & Econ Development	10	652,561	152,935	108,607	34,129	0	928	0	0	0	0	0	0	0	947,159
Total Corporate Relations																8,977,698

NSTAR Electric & Gas Corporation  
Allocations  
2002

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Electric & Gas Operations		Allocation Methodology	Applicable Companies	Boston Edison	Comm Electric	NSTAR Gas	Cambridge Electric	Total
GGG2	Asset Management							
1	16100 El Ops Executive VP	32	Electric Cos.	142,261	40,638		8,708	191,607
2	16500 Asset Management VP	32	Electric Cos.	6,780,290	1,936,430		414,926	9,131,647
GGG21	Planning & Scheduling Group							
3	16215 Vegetation Management	36	Electric Cos.	3,148,010	5,610,567	0	35,542	8,794,119
GGG32	Electric Ops Executive							
4	16520 Sys Implementation & Su	37	Utilities	1,263,334	359,551	261,431	77,196	1,961,512
Total Electric Operation / Asset Management				11,333,895	7,947,187	261,431	536,372	20,078,885
Gas Operations								
5	34000 Gas Operations - Executive	100 % Gas	Gas Direct	0	0	797,140	0	797,140
Total Electric Operation / Gas operation				11,333,895	7,947,187	1,058,571	536,372	20,876,025

NSTAR Electric & Gas Corporation  
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**NSTAR Electric & Gas Corporation**  
**Allocations**  
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Customer Care / Shared Services		Allocation	Boston	Comm	INSTAR	Cambridge	Total
		Methodology	Edison	Electric	Gas	Electric	
1 Customer Care			1,492,915	433,809	259,346	89,705	2,215,774
1 Account Management		31	301,485	0	0	0	301,485
1 21210 Meterest Strategic		100 % Beco					
2 21240 Account Support-PSS			1,734,399	433,809	259,346	89,705	2,517,259
2 Gas Sales & Marketing		100 % Gas					
3 21205 C & I Sales				3,196,747			3,196,747
3 Billing							
4 21150 Billing	28	8,334,452	2,577,209	1,845,963	482,802	13,240,427	
22 Cust Interaction Ctr							
5 21135 CIC Credit	28**	13,501,804	3,915,778	2,848,762	733,569	20,999,913	
** Bad debt expense not allocated							
24 Meter Operations							
6 21860 Meter Tech Boston	100 % Beco	8,949,108	0	0	0	0	8,949,108
22 Meter Ops Support							
7 21715 Field Services Support	28	2,477,147	765,992	548,653	143,497	3,935,289	
8 21850 Meter Tech Support	30	1,021,623	320,932	0	59,438	1,401,933	
		3,498,770	1,086,924	548,653	202,935	5,337,282	
243 Meter Ops							
9 21325 Meter Operation West	28	33,483	10,354	7,416	1,940	53,193	
10 21725 Meter Reading Wwd	100 % Beco	7,875,554	0	0	0	7,875,534	
11 21875 Meter Tech Cambridge	100 % CEL	0	0	0	854,895	854,895	
15 21760 Meter Reading Cape & Vineyard	100 % CE	0	7,869,970	0	0	7,869,970	
14 21750 Meter Reading Plymouth	CE 90% & CG 10%	0	1,434,614	159,402	0	1,554,016	
12 21740 Meter Reading Camb	CEI 75%, CG 25%	0	0	18,633	55,900	74,534	
13 21745 Meter Reading Gas Sh	100 % Gas	0	0	791,886	0	791,886	
		7,909,017	9,314,938	977,337	912,735	19,114,028	
12443 Meter Ops New Bedford							
16 21755 Meter Reading New Bedford	CE 62% & CG 38%	0	626,335	383,883	0	1,010,218	
17 21845 Director	30	(1,038,372)	(326,193)	0	(60,412)	(1,424,977)	
18 21000 Customer Care/Shared Services	28***	1,306,338	403,950	292,404	75,674	2,078,366	
*** Acct 913 allocated to Gas only							
Total Customercare / Shared shares							
44,195,517	18,032,750	10,353,094	2,437,008				75,018,389



**NSTAR Electric & Gas Corporation**  
**Summary of Allocation Factors**  
**2002**

Allocation Methodology	Department	Allocation Methodology	Boston	Comm	NSTAR	Cambridge	Canal	NSTAR	NSTAR	BEC	NSTAR	Hopkint	MATEP LLC	Total
			Edison	Electric	Gas	Electric	HEEC	Comm	Northwind	Parent	Funding	Steam	LNG	
Avg of Service Co. Allocations	1 Chairman/President		64.10%	15.95%	12.76%	3.41%	0.16%	0.16%	0.02%	1.83%	0.02%	0.37%	0.20%	0.56%
Operating Revenues/Capitalization	2 Finance		61.11%	14.26%	10.50%	3.26%	0.29%	0.23%	2.00%	0.03%	6.45%	0.05%	0.45%	0.26%
Utilities only	3 Finance		68.10%	15.88%	11.76%	3.64%	0.35%	0.27%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Unregulated companies	4 Finance		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.00%	2.25%	0.00%	1.79%	34.61%	18.48%
Operating Revenues/Capitalization (excl. NSTAR Comm)	5 Finance - Treasury		62.26%	14.55%	10.72%	3.33%	0.30%	0.23%	0.00%	0.03%	6.58%	0.05%	0.47%	0.26%
Operating Revenues/Capitalization (excl. NSTAR Parent)	6 Finance - Investor Relations		66.44%	15.49%	11.47%	3.55%	0.34%	0.28%	0.31%	0.03%	0.00%	0.06%	0.45%	0.27%
Labor Percentage	7 Human Resources		59.29%	15.88%	20.37%	2.94%	0.00%	0.00%	0.50%	0.00%	0.00%	0.00%	0.28%	0.05%
Utilities only	8 Human Resources		60.20%	16.13%	20.69%	2.98%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating revenues	9 Corporate Relations		68.11%	15.96%	11.13%	3.56%	0.00%	0.10%	0.00%	0.05%	0.00%	0.00%	0.72%	0.37%
Utilities only	10 Corporate Relations		68.90%	16.15%	11.26%	3.60%	0.00%	0.10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Revenues/Capitalization	11 Strategy, Law & Policy		61.08%	14.25%	10.49%	3.26%	0.85%	0.40%	0.31%	0.03%	6.33%	0.05%	0.47%	0.33%
Utilities only	12 Strategy, Law & Policy		65.78%	15.49%	12.16%	3.65%	1.05%	0.65%	0.00%	0.00%	0.00%	0.00%	0.00%	2.15%
Utilities excluding Gas	13 Strategy, Law & Policy		76.03%	17.64%	0.00%	4.15%	1.20%	0.98%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Legal only	14 Strategy, Law & Policy		57.74%	13.47%	9.33%	3.08%	0.83%	0.39%	3.00%	0.02%	6.14%	0.05%	0.44%	0.32%
Case by Case (info from Legal Dept) - Acct 923	15 Strategy, Law & Policy		65.62%	14.35%	12.85%	2.87%	0.02%	0.18%	0.01%	3.93%	0.05%	0.05%	0.01%	0.12%
Operating revenues	16 Information Technology		68.23%	15.93%	11.15%	3.57%	0.00%	0.10%	0.40%	0.03%	0.00%	0.00%	0.38%	0.19%
Utilities only	17 Information Technology		68.96%	16.16%	11.27%	3.61%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Revenues/Capitalization	18 Shared Services		67.95%	15.84%	11.73%	3.63%	0.00%	0.27%	0.00%	0.01%	0.00%	0.06%	0.32%	0.19%
Utilities only	19 Shared Services		68.53%	15.98%	11.83%	3.68%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gas / Comm Electric	20 Shared Services		0.00%	57.41%	42.63%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Comm Electric / Camb Electric	21 Shared Services		0.00%	81.32%	0.00%	18.65%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
BECO / CEL	22 Shared Services		94.93%	0.00%	0.00%	5.07%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
BECO / GAS / CEL	23 Shared Services		81.56%	0.00%	14.08%	4.36%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
BECO / CE / SEL	24 Shared Services		77.72%	18.12%	0.00%	4.15%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
AP allocator (Invoice \$ amount thro Pport)	25 Shared Services		60.02%	18.29%	9.74%	5.85%	1.12%	0.03%	0.00%	3.87%	0.00%	0.63%	0.29%	0.17%
Fixed Asset Accounting allocator	26 Shared Services		57.75%	15.86%	11.70%	3.62%	0.35%	0.00%	0.00%	0.00%	0.00%	0.50%	0.28%	0.00%



NSTAR Electric & Gas Corporation  
Summary of Allocation Factors  
2002

Executive Office - allocation 1			Allocation Methodology																	
Allocation Methodology	Department	Operating Revenues/Capitalization	Boston	Comm	NSTAR	Cambridge	Canal	Electric	HEEC	NSTAR	Comm	Northwind	NSTAR	BEC	NSTAR	Steam	Hopkint	LNG	MATEP LLC	Total
2 Finance		61.11%	14.28%	10.30%	3.26%	0.29%	0.23%	2.00%	0.03%	6.45%	0.05%	0.46%	0.28%	1.10%	1.10%	100.00%				
7 Human Resources	Labor Percentage	59.29%	15.88%	20.37%	2.94%	0.00%	0.00%	0.50%	0.00%	0.00%	0.00%	0.00%	0.28%	0.05%	0.69%	100.00%				
9 Corporate Relations	Operating revenues	68.11%	15.98%	11.13%	3.56%	0.00%	0.10%	0.00%	0.05%	0.00%	0.00%	0.00%	0.72%	0.37%	0.00%	100.00%				
11 Strategy, Law & Policy	Operating Revenues/Capitalization	61.08%	14.25%	10.49%	3.26%	0.86%	0.40%	0.31%	0.03%	6.33%	0.05%	0.47%	0.33%	2.15%	100.00%					
16 Information Technology	Operating revenues	68.23%	15.99%	11.15%	3.57%	0.00%	0.10%	0.40%	0.03%	0.00%	0.00%	0.00%	0.35%	0.19%	0.00%	100.00%				
18 Shared Services	Operating Revenues/Capitalization	67.95%	15.84%	11.73%	3.63%	0.00%	0.27%	0.00%	0.01%	0.00%	0.08%	0.00%	0.32%	0.19%	0.00%	100.00%				
29 Customer Care	# of customers / Operating Revenues / Net Plant	62.95%	19.46%	13.94%	3.65%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%				
1 Chairman/President	Avg of Service Co. Allocations	64.10%	15.95%	12.76%	3.41%	0.16%	0.46%	0.02%	1.03%	0.02%	0.37%	0.20%	0.53%	0.37%	0.20%	100.00%				

Allocation Method Application and rationale:

The Executive Office impacts all companies and functions under the NSTAR corporate organization. Due to its pervasive influence, the Executive Office is allocated based on the broadest of allocation methodologies, the average of all other Services Co functions. For example, Boston Edison received an average of 64.1% of the total NE&G costs for the other 9 primary functions identified on Page 1; therefore Boston Edison was allocated 64.1% of the Executive Office's expenses.

**NSTAR Electric & Gas Corporation**  
**Summary of Allocation Factors**  
**2002**

Finance -2	Total Operating Revenue less Purchase power	Capitalization	Percentage
<b>Based on 12/31/01 balances</b>			
Boston Edison	910,402,237	2,041,493,063	61.11%
Commonwealth Electric	213,362,488	473,548,618	14.28%
Cambridge Electric	47,614,102	111,434,900	3.26%
Canal Electric			
NSTAR Gas	148,729,189	21,481,850	0.29%
HEEC (Note 1)	1,294,650	371,784,410	10.50%
Hopkinton LNG Corp.	9,645,307	13,176,900	0.23%
NSTAR Steam	4,949,584	8,190,225	0.46%
Northwind	8,280,364	5,653,691	0.26%
NSTAR Com Assign Direct %			
Northwind	711,633	0.03 %	
BEC Funding		3,616,531	0.05%
NSTAR Parent		474,827,029	6.45%
MATEP LLC (Note 2)		80,728,166	1.10%
	<b>1,336,709,190</b>	<b>3,605,935,382</b>	<b>100.0%</b>

Note 1: HECC charges reduced by 50% for direct charging of most accounting and finance services provided.

Note 2: MATEP's OP revenue not included to lower allocation to reflect MATEP's self-contained accounting staff and systems.

**Allocation Method Application and rationale:**

Unless otherwise indicated, accounting services are allocated based on equal weighting of (Operating Revenues – Purchased Power expense) + Capitalization for all companies receiving the particular service. This formula distributes the costs of the accounting function in proportion to the relative size and complexity of the companies receiving the accounting services. If the result of the formula allocation is not representative of the actual services provided to an individual subsidiary, the formula for that subsidiary will be revised. An example of this the charge for accounting services to NSTAR Communications. Application of the straight formula resulted in NSTAR Communications receiving a charge for accounting support that did not reflect the level of support provided by NE&G. In Allocation Formula (2) NSTAR Communications was allocated a flat 2% of the accounting function, the formula was then used to spread the remaining 98% of the accounting function.

**NSTAR Electric & Gas Corporation**  
**Summary of Allocation Factors**  
**2002**

Finance - 3 - Utilities only	Based on 12/31/01 balances	Total Operating Revenue	less Purchase power	Capitalization	Percentage
Boston Edison		910,402,237	2,041,493,063		68.10%
Commonwealth Electric		213,362,488	473,548,618		15.88%
Cambridge Electric		47,614,102	111,434,900		3.64%
Canal Electric			21,481,850		0.35%
NSTAR Gas		148,729,189	371,784,410		11.76%
HEEC (Note 1)		1,294,650.00	13,176,899.50		0.27%
		<hr/>	<hr/>	<hr/>	<hr/>
		1,321,402,666	3,032,919,740		100.00%

Note 1: HECC charges reduced by 50% for direct charging of most accounting and finance services provided.

**Allocation Method Application and rationale:**

Regulatory policy and rate design and revenue requirements are allocated based on equal weighting of (Operating Revenues – Purchased Power expense) + Capitalization for the regulated utility companies receiving this service. This formula distributes the costs of the regulatory functions in proportion to the relative size and complexity of the companies receiving the regulatory services.

**NSTAR Electric & Gas Corporation**  
**Summary of Allocation Factors**  
**2002**

Finance Unregulated companies - 4 Based on 12/31/01 balances	Total Operating Revenue less Purchase power	Capitalization	Percentage
NSTAR Steam	9,645,307	8,190,225	34.61%
Hopkinton LNG Corp.	4,949,584	5,653,691	18.48%
NSTAR Com	8,280,364	-	3.00%
Northwind	711,633	-	2.25%
BEC Funding	-	3,616,531	1.79%
NSTAR Parent	-	-	0.00%
MATEP LLC (1)	-	80,728,166	39.88%
	<b>15,306,524</b>	<b>98,198,613</b>	<b>100.00%</b>

(1) MATEP's Operating revenue not included to lower allocation to reflect MATEP's self-contained accounting staff and systems.

**Allocation Method Application and rationale:**

**Allocation Method:**

Unregulated accounting services are allocated based on equal weighting of (Operating Revenues – Purchased Power expense) + Capitalization for the unregulated companies receiving this service. This formula distributes the costs of the unregulated accounting function in proportion to the relative size and complexity of the companies receiving the accounting services.

**NSTAR Electric & Gas Corporation**  
**Summary of Allocation Factors**  
**2002**

Treasury -5 Based on 12/31/01 balances	Total Operating Revenue less Purchase power	Capitalization	Percentage
Boston Edison	910,402,237	2,041,493,063	62.36%
Commonwealth Electric	213,362,488	473,548,618	14.55%
Cambridge Electric	47,614,102	111,434,900	3.33%
Canal Electric	-	21,481,850	0.30%
NSTAR Gas	148,729,189	371,784,410	10.72%
HEEC (Note 1)	1,294,650	13,176,900	0.23%
NSTAR Steam	9,645,307	8,190,225	0.47%
Hopkinton LNG Corp.	4,949,584	5,653,691	0.26%
NSTAR Com	no service provided		
Northwind	711,633	-	0.03%
BEC Funding	-	3,616,531	0.05%
NSTAR Holding	-	474,827,029	6.58%
MATEP LLC (Note 2)	-	80,728,166	1.12%
	<b>1,336,709,190</b>	<b>3,605,935,382</b>	<b>100.0%</b>

Note 1: HEEC charges reduced by 50% for direct charging of most accounting and finance services provided.

Note 2: MATEP's Operating revenue not included to lower allocation to reflect MATEP's self-contained accounting staff and systems.

**Allocation Method Application and rationale:**

Real Estate and Investment and Risk Management services are allocated based on equal weighting of (Operating Revenues – Purchased Power expense) + Capitalization for the operating companies receiving this service. This formula distributes the costs of these services in proportion to the relative size and complexity of the companies receiving the services.

NSTAR Electric & Gas Corporation  
Summary of Allocation Factors  
2002

Finance - Investor Relations 6 Based on 12/31/01 balances	Total Operating Revenue less Purchase power	Capitalization *	Percentage
Boston Edison	910,402,237	2,041,493,063	66.44%
Commonwealth Electric	213,362,488	473,548,618	15.49%
Cambridge Electric	47,614,102	111,434,900	3.55%
Canal Electric		21,481,350	0.34%
NSTAR Gas	148,729,189	371,784,410	11.47%
HEEC (Note 1)	1,294,650	13,176,900	0.26%
NSTAR Steam	9,645,307	8,190,225	0.49%
Hopkinton LNG Corp.	4,949,584	5,653,691	0.27%
NSTAR Com	8,280,364		
Northwind	711,633	3,616,531	0.31%
BEC Funding		474,827,029	0.03%
NSTAR Parent		80,728,166	0.06%
MATEP LLC (Note 2)			1.29%
	1,344,989,554	3,131,103,353	100.00%

\* Capitalization includes ST debt and excludes investments in subsidiaries.

Note 1: HEEC charges reduced by 50% for direct charging of most accounting and finance services provided.

Note 2: MATEP's Operating revenue not included to lower allocation to reflect MATEP's self-contained accounting staff and systems.

Allocation Method Application and rationale:

The investor relations services described above are allocated based on equal weighting of (Operating Revenues – Purchased Power expense) + Capitalization for all NSTAR companies receiving this service. This formula distributes the costs of the investor relations services function in proportion to the relative size and complexity of the companies receiving the investor relations services.

**NSTAR Electric & Gas Corporation**  
**Summary of Allocation Factors**  
**2002**

Human Resources - 7		O & M Labor (Last 2 qtrs)	NSTAR E & G	Labor	Total Labor	Capital Spending	Total Labor	Labor Percentage
Service bill Labor percentage		O & M	O & M	O & M				
Boston Edison	13,259,846	27,991,157	41,251,003	14,144,408	55,395,411	59.29%		
Commonwealth Electric Company	4,008,862	7,225,232	11,234,094	3,606,976	14,841,070	15.88%		
NSTAR Gas Company	10,508,021	5,875,918	16,383,399	2,652,867	19,036,806	20.37%		
Cambridge Electric Light Company	277,912	1,822,758	2,100,700	642,915	2,743,615	2.94%		
Canal Electric Company	-	-	-	-	-	0.00%		
Harbor Electric	-	-	-	-	-	0.00%		
NSTAR Communications, Inc (1)	468,000	-	468,000	-	468,000	0.50%		
Northwind	-	-	-	-	-	0.00%		
MATEP LLC	226,242	418,275	644,517	-	644,517	0.69%		
NSTAR Steam	12,037	248,325	260,362	-	260,362	0.28%		
Hopkinton LNG Corp	46,806	0	46,806	-	46,806	0.05%		
NStar	-	0	0	-	-			
NSTAR Electric & Gas	43,581,696	-	-	-	-			
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	28,807,776.13	43,581,696.11	72,389,422.24	21,047,166	93,436,588	100.00%		

(1) NSTAR Com assigned 7.5 FTE's based on interviews with project manager.

**Allocation Method Application and rationale:**

Employee and labor relations services are allocated based on each company's straight time and overtime labor expenses for O&M and capital projects/ total NSTAR consolidated labor expenses for O&M and capital projects. This formula distributes the costs of the employee and labor relations services functions in proportion to the level of the workforce utilized by the companies receiving the employee and labor relations services.

Note that labor \$ are used in the Human Resources allocation formulas. An employee count allocation is not feasible because all employees are assigned to the Services Co. However, labor \$ are direct charged to subsidiary companies whenever possible. Therefore we used the labor \$ factor as the basis for allocating Employee and labor relations services.

**NSTAR Electric & Gas Corporation  
Summary of Allocation Factors  
2002**

Human Resources - 8 - Utility companies only	Total O&M	Labor ( Last 2 qtrs)	NSTAR E & G	Total Labor	Total Labor	Capital Spending	Total Labor	Labor Percentage
Boston Edison	13,259,846	27,991,157	41,251,003	14,144,408	55,395,411			60.20%
Commonwealth Electric Company	4,008,862	7,225,232	11,234,094		3,606,976	14,841,070		16.13%
NSTAR Gas Company	10,508,021	5,875,918	16,383,939		2,652,867	19,036,806		20.69%
Cambridge Electric Light Company	277,912	1,822,788	2,100,700		642,915	2,743,615		2.98%
							92,016,903	100.00%

**Allocation Method Application and rationale:**

Human Relations services to the utility companies are allocated based on each company's labor expenses for O&M and capital projects/ total NSTAR consolidated straight time and overtime labor expenses for O&M and capital projects. This formula distributes the costs of the employee and labor relations services functions in proportion to the level of the workforce utilized by the companies receiving the employee and labor relations services.

Note that labor \$ are used in the Human Resources allocation formulas. An employee count allocation is not feasible because all employees are assigned to the Services Co. However, labor \$ are direct charged to subsidiary companies whenever possible. Therefore we used the labor \$ factor as the basis for allocating Employee and labor relations services.

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**Summary of Allocation Factors**  
**2002**

Corporate Relations - 9 Based on 12/31/01 balances	Total Operating Revenue less Purchase power	Percentage
Boston Edison	910,402,237	68.11%
Commonwealth Electric	213,362,488	15.96%
Cambridge Electric	47,614,102	3.56%
Canal Electric (1)		0.00%
NSTAR Gas	148,729,189	11.13%
HEEC	1,294,650	0.10%
NSTAR Steam	9,645,307	0.72%
Hopkinton LNG Corp.	4,949,584	0.37%
NSTAR Com (1)		0.00%
Northwind	711,633	0.05%
BEC Funding		0.00%
NSTAR Parent (1)	-	0.00%
MATEP LLC (1)	1,336,709,190	100%

(1) No service provided

Accounts 930759 and 912238.05 are allocated 100% to Gas.  
 Account 426 allocated based on Formula 38

**Allocation Method Application and rationale:**

Government Affairs, Communications and Media services are allocated based on the measure of operating revenues - purchased power for each company receiving this service. This formula allocates the costs of these services in proportion to the relative size and complexity of the companies receiving the services

**NSTAR Electric & Gas Corporation**  
**Summary of Allocation Factors**  
**2002**

Corporate Relations - 10 Based on 12/31/01 balances	Total Operating Revenue less Purchase power	Percentage
Boston Edison	910,402,237	68.90%
Commonwealth Electric	213,362,488	16.15%
Cambridge Electric	47,614,102	3.60%
NSTAR Gas	148,729,189	11.26%
HEEC	1,294,650	0.10%
	1,321,402,666	100.00%

**Allocation Method Application and rationale:**

Regulatory Relations services are allocated based on the measure of operating revenues - purchased power for each company receiving this service. This formula allocates the costs of Regulatory Relations services in proportion to the relative size and complexity of the companies receiving the service.

**NSTAR Electric & Gas Corporation  
Summary of Allocation Factors  
2002**

Strategy & Law Policy - 11 Based on 12/31/01 balances	Total Operating Revenue less Purchase power	Capitalization	Non Legal
Boston Edison	910,402,237	2,041,493,063	61.08%
Commonwealth Electric	213,362,488	473,548,618	14.25%
Cambridge Electric	47,614,102	111,434,900	3.26%
Canal Electric		64,445,550	0.86%
NSTAR Gas	148,729,189	371,784,410	10.49%
HBEC	1,294,650	26,353,799	0.40%
NSTAR Steam	9,645,307	8,190,225	0.47%
Hopkinton LNG Corp.	4,949,584	11,307,382	0.33%
NSTAR Com	8,280,364		0.31%
Northwind	711,633		0.03%
BEC Funding		3,616,531	0.05%
NSTAR Parent	-	474,827,029	6.33%
MATEP LLC	<u>72,926,000</u>	<u>161,456,332</u>	<u>2.15%</u>
	<u><u>1,417,915,554</u></u>	<u><u>3,748,457,839</u></u>	<u><u>100.00%</u></u>

**Allocation Method Application and rationale:**

Non legal services within the Strategy & Law Organization are allocated based on an equal weighting of (Operating Revenues - Purchased Power expense) + Capitalization for the Companies receiving non legal services. This formula distributes the costs of these services in proportion to the size and complexity of the companies receiving the services.

**NSTAR Electric & Gas Corporation**  
**Summary of Allocation Factors**  
**2002**

Strategy & Law Policy - 12 Based on 12/31/01 balances	Capitalization	Non Legal
Boston Edison	2,041,493,063	66.78%
Commonwealth Electric	473,548,618	15.49%
Cambridge Electric	111,434,900	3.65%
Canal Electric	32,222,775	1.05%
NSTAR Gas	371,784,410	12.16%
HEEC	<u>26,353,799</u>	<u>0.86%</u>
	<u><u>3,056,837,565</u></u>	<u><u>100.00%</u></u>

**Allocation Method Application and rationale:**

Energy Supply & Transmission services are allocated based on the measure of capitalization for each company receiving this service. This formula allocates the costs of this service in proportion to the relative size and complexity of the companies receiving the service. Formula 13 is identical to Formula 12 except it does not include an allocation to NSTAR Gas

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Strategy & Law Policy - 13 Based on 12/31/01 balances	Operating Companies excluding Gas Capitalization	Non Legal
Boston Edison	2,041,493,063	76.03%
Commonwealth Electric	473,548,618	17.64%
Cambridge Electric	111,434,900	4.15%
Canal Electric	32,222,775	1.20%
NSTAR Gas		0.00%
HEEC	26,353,799	0.98%
	<u>2,685,053,155</u>	<u>100.00%</u>

**Allocation Method Application and rationale:**

Energy Supply & Transmission services are allocated based on the measure of capitalization for each company receiving this service. This formula allocates the costs of this service in proportion to the relative size and complexity of the companies receiving the service. Formula 13 is identical to Formula 12 except it does not include an allocation to NSTAR Gas for Load Forecasting, Transmission Supply and Electric Energy Supply cost areas. Also, cost area 26040, Gas Supply & Planning Dept is assigned 100% to the Gas Co and not allocated.

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**Summary of Allocation Factors**  
**2002**

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Strategy & Law Policy - 14 Based on 12/31/01 balances	Total Operating Revenue less Purchase power	Capitalization	Legal
Boston Edison	910,402,237	2,041,493,063	57.74%
Commonwealth Electric	213,362,488	473,548,618	13.47%
Cambridge Electric	47,614,102	111,434,900	3.08%
Canal Electric		64,445,550	0.85%
NSTAR Gas	148,729,189	371,784,410	9.93%
HEEC	1,294,650	26,553,799	0.39%
NSTAR Steam	9,645,307	8,190,225	0.44%
Hopkinton LNG Corp.	4,949,584	11,307,382	0.32%
NSTAR Com Assign Direct %	8,280,364		3.00%
Northwind	711,633		0.02%
BEG Funding		3,616,531	0.05%
NSTAR Parent		474,827,029	6.14%
MATEP LLC	72,926,000	161,456,332	4.60%
	1,409,635,190	3,748,457,839	100.00%
	1,417,915,554	3,748,457,839	

**Allocation Method Application and rationale:**

Internal Legal services are allocated based on an equal weighting of (Operating Revenues - Purchased Power expense)  
+ Capitalization for the Companies receiving Internal Legal services. This formula distributes the costs of these services in proportion to the size and complexity of the companies receiving the services. If the result of the formula allocation is not representative of the actual services provided to an individual company, the formula for that company will be revised. An example of this is allocation for legal services to NSTAR Communications. Application of the straight formula resulted in N Com receiving a charge for legal services that did not reflect the level of support provided by N E&G. In allocation formula (14) N Com was allocated a flat 3% of the legal function. The formula was then used to spread the remaining 97% of the legal function.

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**2002**

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Strategy & Law Policy - 15 - External services										NWind	NSTAR	Parent	NSTAR	Total
MATEP / AES	BECo	Com	BECo	Canal	Camb	Com El	NSTAR Gas	Steam	Hop Cp					
4,929.11	7,158.30	2,680,629.80	882.44	117,058.48	586,421.48	524,873.67	1,991.19	357.96	453.75	160,564.98	4,085,321.16			
0.12%	0.18%	65.62%	0.02%	2.87%	14.35%	12.85%	0.05%	0.01%	0.01%	3.93%	100.00%			

**Allocation Method Application and rationale:**

External legal services are allocated based on a case by case analysis of the legal matters handled by outside counsel.

The cases are charged to the appropriate company based on the actual operating companies' involvement in the legal matter.

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Summary of Allocation Factors  
2002**

Information Technology - 16 Based on 12/31/01 balances	Total Operating Revenue less Purchase power	Percentage
Boston Edison	910,402,237	68.23%
Commonwealth Electric	213,362,488	15.99%
Cambridge Electric	47,614,102	3.57%
Canal Electric		0.00%
NSTAR Gas	148,729,189	11.15%
HEBC (1)	1,294,650	0.10%
NSTAR Steam	4,822,654	0.36%
Hopkinton LNG Corp. (1)	2,474,792	0.19%
NSTAR Com (2)		0.40%
Northwind (1)	355,817	0.03%
BECC Funding		0.00%
NSTAR Parent		0.00%
MATEP LLC		
	<u>No IT Services provided by NE&amp;G</u>	
	<u>1,329,055,928</u>	<u>100.00%</u>

(1) Factor reduced by 50% to reflect low volume of usage of IT Services being allocated.

**Allocation Method Application and rationale:**

Information Technology (IT) services are allocated based on the proportion of Operating Revenues - Purchased Power expense for each of the companies receiving the IT services. This formula distributes the costs of these services in proportion to the size and complexity of the companies receiving the IT services. Notes 1 and 2 reflect adjustments to the formula for cases in which the formula produces a result that does not reflect a proportional allocation of the IT services to the companies receiving those services.

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**Summary of Allocation Factors**  
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Information Technology - 17 Based on 12/31/01 balances	Total Operating Revenue less Purchase power	Percentage
Boston Edison	910,402,237	68.96%
Commonwealth Electric	213,362,488	16.16%
Cambridge Electric	47,614,102	3.61%
NSTAR Gas	148,729,189	11.27%
	<hr/> <u>1,320,108,016</u>	100.00%

**Allocation Method Application and rationale:**

Information Technology (IT) services are allocated based on the proportion of Operating Revenues - Purchased Power expense for each of the companies receiving the IT services. This formula distributes the costs of these services in proportion to the size and complexity of the companies receiving the IT services. This formula is used where Utilities only receive certain IT services, e.g., the Customer Information System.

**NSTAR Electric & Gas Corporation**  
**Summary of Allocation Factors**  
**2002**

Business Services - 18 Based on 12/31/01 balances	Total Operating Revenue Less Purchase power	Capitalization	Percentage
Boston Edison	910,402,237	2,041,493,063	67.95%
Commonwealth Electric	213,362,488	473,548,618	15.84%
Cambridge Electric	47,614,102	111,434,900	3.63%
Canal Electric	-		
NSTAR Gas	148,729,189	371,784,410	11.73%
HEEC (Note 1)	1,294,650	13,176,900	0.27%
NSTAR Steam	4,822,654	8,190,225	0.32%
Hopkinton LNG Corp.	2,474,792	5,653,691	0.19%
NSTAR Com	-		
Northwind (1)	355,817	-	0.00%
BEC Funding	-	3,616,531	0.01 %
NSTAR Parent	-	474,827,029	0.06%
MATEP LLC	No Shared Services provided by NSTAR		
	<hr/>	<hr/>	<hr/>
	1,329,055,928	3,028,898,337	100.00%

Note 1: HEEC charges reduced by 50% for direct charging of most accounting and finance services provided.

**Allocation Method Application and rationale:**

**Allocation Method:**

Business services such as facilities management and procurement services are allocated based on equal weighting of (Operating Revenues – Purchased Power expense) + Capitalization for all NSTAR companies receiving this service. This formula distributes the costs of the facilities management and procurement functions in proportion to the relative size and complexity of the companies receiving those services. Whenever possible the facilities management expenses are assigned directly to the company(ies) using the facility. The appropriate formula from # 19 - # 24 is selected based on the combination of companies using the facility. For general use facilities such as corporate headquarters at the Prudential Center or the Summit formula #18 is used.

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Business Services - 19 Based on 12/31/01 balances	Total Operating Revenue less Purchase power	Capitalization	Percentage
Boston Edison	910,402,237	2,041,493,063	68.53%
Commonwealth Electric	213,362,488	473,548,618	15.98%
Cambridge Electric	47,614,102	111,434,900	3.66%
Commonwealth Gas	148,729,189	371,784,410	11.83%
	<b>1,320,108,016</b>	<b>2,998,260,991</b>	<b>100.00%</b>

**Allocation Method Application and rationale:**

Facilities Management services are allocated based on an equal weighting of (Operating Revenues - Purchased Power expense) + Capitalization for the Companies receiving Facilities Management services. This formula distributes the costs of these services in proportion to the size of the companies receiving the services. Formulas 18 - 24 use the same formula components to allocate the Facilities Management services. The formulas differ only for the companies receiving the allocation. The formulas are applied only to companies receiving the service of a given Facilities Management cost area as determined from interviews with Facilities Management personnel.

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Business Services - 20	Total Operating Revenue		Capitalization	Percentage
	Less Purchase power			
NSTAR Gas	148,729,189		371,784,410	42.53%
Com Elec	213,362,488		473,548,618	57.47%
	<b>362,091,677</b>	<b>845,333,028</b>		<b>100.00%</b>

Allocation Method Application and rationale:

Facilities Management services are allocated based on an equal weighting of (Operating Revenues - Purchased Power expense)  
+ Capitalization for the Companies receiving Facilities Management services. This formula distributes the costs of these services in proportion to the size of the companies receiving the services. Formulas 18 - 24 use the same formula components to allocate the Facilities Management services. The formulas differ only for the companies receiving the allocation. The formulas are applied only to companies receiving the service of a given Facilities Management cost area as determined from interviews with Facilities Management personnel.

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Business Services - 21	Total Operating Revenue less Purchase Power	Capitalization	Percentage
Com. Electric	213,362,488	473,548,618	81.35%
Cambridge Electric	47,614,102	111,434,900	18.65%
	<b>260,976,590</b>	<b>584,983,518</b>	<b>100.00%</b>

**Allocation Method Application and rationale:**

Facilities Management services are allocated based on an equal weighting of (Operating Revenues - Purchased Power expense) + Capitalization for the Companies receiving Facilities Management services. This formula distributes the costs of these services in proportion to the size of the companies receiving the services. Formulas 18 - 24 use the same formula components to allocate the Facilities Management services. The formulas differ only for the companies receiving the allocation. The formulas are applied only to companies receiving the service of a given Facilities Management cost area as determined from interviews with Facilities Management personnel.

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**Summary of Allocation Factors**  
**2002**

Business Services - 22	Total Operating Revenue less Purchase power	Capitalization	Percentage
Beco	910,402,237	2,041,493,063	94.93%
Cambridge Electric	47,614,102	111,434,900	5.07%
	<b>958,016,339</b>	<b>2,152,927,963</b>	<b>100.00%</b>

**Allocation Method Application and rationale:**

Facilities Management services are allocated based on an equal weighting of (Operating Revenues - Purchased Power expense) + Capitalization for the Companies receiving Facilities Management services. This formula distributes the costs of these services in proportion to the size of the companies receiving the services. Formulas 18 - 24 use the same formula components to allocate the Facilities Management services. The formulas differ only for the companies receiving the allocation. The formulas are applied only to companies receiving the service of a given Facilities Management cost area as determined from interviews with Facilities Management personnel.

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Business Services - 23	Total Operating Revenue less Purchase power	Capitalization	Percentage
Beco	910,402,237	2,041,493,063	81.56%
Nstar Gas	148,729,189	371,784,410	14.08%
Cambridge Electric	47,614,102	111,434,900	4.36%
	<b>1,106,745,528</b>	<b>2,524,712,373</b>	<b>100.00%</b>

**Allocation Method Application and rationale:**

Facilities Management services are allocated based on an equal weighting of (Operating Revenues - Purchased Power expense)  
+ Capitalization for the Companies receiving Facilities Management services. This formula distributes the costs of these services in proportion to the size of the companies receiving the services. Formulas 18 - 24 use the same formula components to allocate the Facilities Management services. The formulas differ only for the companies receiving the allocation. The formulas are applied only to companies receiving the service of a given Facilities Management cost area as determined from interviews with Facilities Management personnel.

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Business Services - 24	Total Operating Revenue less Purchase power	Capitalization	Percentage
Beco	910,402,237	2,041,493,063	77.72%
Commonwealth Electric	213,362,488	473,548,618	18.12%
Cambridge Electric	47,614,102	111,434,900	4.15%
	<b>1,171,378,827</b>	<b>2,626,476,581</b>	<b>100.00%</b>

**Allocation Method Application and rationale:**

Facilities Management services are allocated based on an equal weighting of (Operating Revenues - Purchased Power expense) + Capitalization for the Companies receiving Facilities Management services. This formula distributes the costs of these services in proportion to the size of the companies receiving the services. Formulas 18 - 24 use the same formula components to allocate the Facilities Management services. The formulas differ only for the companies receiving the allocation. The formulas are applied only to companies receiving the service of a given Facilities Management cost area as determined from interviews with Facilities Management personnel.

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AP Allocator - 25	\$	%
NSTAR Parent	103,708,072	3.87%
CES	118,270	0.00%
BECo	1,607,923,037	60.02%
HEEC	846,171	0.03%
BEC Funding	-	0.00%
Com EI	489,607,279	18.28%
Camb EI	156,799,465	5.85%
Caral	29,921,146	1.12%
NSTAR Gas	260,859,950	9.74%
BETG	-	0.00%
Northwind	-	0.00%
MATEP (717)	1,086,409	0.04%
AESM (718)	245,155	0.01%
AES (725)	3,306,595	0.12%
NSTAR Steam	16,820,734	0.63%
Hopkinton LLC	7,737,094	0.29%
NSTAR Com	-	0.00%
	<b><u>2,678,979,377</u></b>	<b><u>100.00%</u></b>

Based allocation on Invoice \$ processed.

**Allocation Method Application and rationale:**

Accounts Payable services are allocated based on the dollar value of invoices processed by NSTAR's accounts payable system. This formula distributes the costs of the Accounts Payable function in proportion to the level of services provided by Accounts Payable to the companies utilizing those services.

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**Summary of Allocation Factors**  
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Fixed Asset Accounting 26 Based on 12/31/01 balances	Total Operating Revenue less Purchase power	Capitalization	Percentage
Boston Edison	910,402,237	2,041,493,063	67.75%
Commonwealth Electric	213,362,488	473,548,618	15.80%
Cambridge Electric	47,614,102	111,434,900	3.62%
Canal Electric		21,481,850	0.35%
Commonwealth Gas	148,729,189	371,784,410	11.70%
HEEC			0.00%
NSTAR Steam	9,645,307	8,190,225	0.50%
Hopkinton LNG Corp.	4,949,584	5,653,691	0.28%
NSTAR Com			0.00%
Northwind			0.00%
BEC Funding			0.00%
NSTAR Parent			0.00%
MATEP LLC			0.00%
	<b>1,334,702,907</b>	<b>3,033,586,757</b>	<b>100.0%</b>

Allocation Method Application and/or rationale:

Fixed Asset Accounting services are allocated based on equal weighting of (Operating Revenues – Purchased Power expense) + Capitalization for all companies that utilize PowerPlant, NSTAR's fixed asset data base system. This formula distributes the costs of the Fixed Asset Accounting function in proportion to the relative size and complexity of the companies receiving the fixed asset accounting services and utilizing NSTAR's Fixed Asset accounting system.

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**2002**

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Business Services - 27 Office Services & Records Management Based on 12/31/01 balances	Total Operating Revenue less Purchase power	Capitalization	Percentage
Boston Edison	910,402,237	2,041,493,063	67.95%
Commonwealth Electric	213,362,488	473,548,618	15.84%
Cambridge Electric	47,614,102	111,434,900	3.63%
Canal Electric	-	-	0.00%
NSTAR Gas	148,729,189	371,784,410	11.73%
HEEC	1,294,650	13,176,900	0.27%
NSTAR Steam	4,822,654	8,190,225	0.32%
Hopkinton LNG Corp.	2,474,792	5,653,691	0.19%
NSTAR Com	No Business Services provided by NE&G	0.00%	
Northwind	355,817	-	0.01%
BBC Funding	-	3,616,531	0.06%
NSTAR Parent	-	474,827,029	
MATEP LLC	No Business Services provided by NE&G		
	<b>1,329,055,928</b>	<b>3,028,898,337</b>	<b>100.00%</b>

**Allocation Method:**

The Office Services described above are allocated based on equal weighting of (Operating Revenues – Purchased Power expense) + Capitalization for all NSTAR companies receiving this service. This formula distributes the costs of the Office Services function in proportion to the relative size of the companies receiving the office services.

**NSTAR Electric & Gas Corporation**  
**Summary of Allocation Factors**  
**2002**

Customer Care - 28	Company	# of Customers	Total Operating Revenue less Purchase power	Net Plant	Allocation %
Boston Edison		689,355	910,402,237	1,770,354,749	62.95%
Commonwealth Electric		353,452	213,362,488	411,075,564	19.46%
NSTAR Gas		253,478	148,729,189	301,846,741	13.94%
Cambridge Electric		47,009	47,614,102	98,975,362	3.65%
<b>Total</b>		<b>1,343,294</b>	<b>1,320,108,016</b>	<b>2,582,252,416</b>	<b>100.00%</b>

**Allocation Method Application and rationale:**

Customer related services such as collections, revenue protection, meter reading and billing are allocated based on an equal weighting of # of customers + (Operating Revenues - Purchased Power) + Net Plant. The formula allocates the costs of customer related services in proportion to each companies' # of customers. In addition, the revenue and net plant factors were added to Net plant and operating revenue were used as indicators of the relative size of the customers on each of the utilities systems. Formulas 29 - 31 use the same components to allocate customer services, the formulas differ only in the companies receiving the allocation. The customer care allocation formulas are applied only to the companies receiving the service of a given Customer Care cost area.

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Customer Care - 29 Company	# of Customers	Total Operating Revenue less Purchase power	Net Plant	Allocation %
Commonwealth Electric	353,452	213,362,488	411,075,564	52.25%
NSTAR Gas	253,478	148,729,189	301,846,741	37.41%
Cambridge Electric	47,009	47,614,102	98,975,362	10.33%
<b>Total</b>	<b>653,939</b>	<b>409,705,779</b>	<b>811,897,667</b>	<b>100.00%</b>

Allocation Method Application and rationale:

Customer related services such as collections, revenue protection, meter reading and billing are allocated based on an equal weighting of # of customers + (Operating Revenues - Purchased Power) + Net Plant. The formula allocates the costs of customer related services in proportion to each companies' # of customers. In addition, the revenue and net plant factors were added to Net plant and operating revenue were used as indicators of the relative size of the customers on each of the utilities systems. Formulas 29 - 31 use the same components to allocate customer services, the formulas differ only in the companies receiving the allocation. The customer care allocation formulas are applied only to the companies receiving the service of a given Customer Care cost area.

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Customer Care - 30		Total Operating Revenue less Purchase power		Net Plant		Allocation %	
Company	# of Customers						
Boston Edison	689,355	910,402,237		1,770,354,749		72.87%	
Commonwealth Electric	353,452	213,362,488		411,075,564		22.89%	
Cambridge Electric	47,009	47,614,102		98,975,362		4.24%	
Total	<u>1,089,816</u>	<u>1,171,378,827</u>		<u>2,280,405,675</u>		<u>100.00%</u>	

**Allocation Method Application and rationale:**

Customer related services such as collections, revenue protection, meter reading and billing are allocated based on an equal weighting of # of customers + (Operating Revenues - Purchased Power) + Net Plant. The formula allocates the costs of customer related services in proportion to each companies' # of customers. In addition, the revenue and net plant factors were added to Net plant and operating revenue were used as indicators of the relative size of the customers on each of the utilities systems. Formulas 29 - 31 use the same components to allocate customer services, the formulas differ only in the companies receiving the allocation. The customer care allocation formulas are applied only to the companies receiving the service of a given Customer Care cost area.

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Customer Care - 31					
Based on Only Commercial/Industrial Class					
Company	# of Customers (A)	Total Operating Revenue less Purchase power	Net Plant	Alloc %	
Boston Edison	93,986	910,402,237	1,770,354,749	64.67%	
Commonwealth Electric	44,349	213,362,488	411,075,564	19.58%	
NSTAR Gas	20,230	148,729,189	301,846,741	11.70%	
Cambridge Electric	7,830	47,614,102	98,975,362	4.05%	
<b>Total</b>	<b>166,395</b>	<b>1,320,108,016</b>	<b>2,582,252,416</b>	<b>100.00%</b>	
(A) Commercial Industrial (C/I) customers only.					

**Allocation Method Application and rationale:**

Customer related services such as collections, revenue protection, meter reading and billing are allocated based on an equal weighting of # of C/I customers + (Operating Revenues - Purchased Power) + Net Plant. The formula allocates the costs of customer related services in proportion to each companies' # of customers. In addition, the revenue and net plant factors were added to weight the relative size of the customers.

Net plant and operating revenue revenue were used as indicators of the relative size of the customers on each of the utilities systems. Formula 32 differs from Formulas 29 - 31 in that it applies only to the cost areas serving commercial industrial accounts.

**NSTAR Electric & Gas Corporation**  
**Summary of Allocation Factors**  
**2002**

Electric Ops - Utility Composite allocation - 32		
	12/31/01	12/31/01
	Net Plant**	Distrib. O & M*
Beco	1,770,354,749.00	78%
Com Electric	411,075,564.00	18%
Cambridge	98,975,362.00	4%
Total	<u>2,280,405,675.00</u>	<u>100%</u>

\* Distribution O & M includes customer accounts, cust. Service and informational and sales expenses

\*\* Per FERC Form 1 page 200

**Allocation Method Application and rationale:**

Central services for Electric Operations are allocated based on an equal weighting of Net Plant and distribution O&M. This formula allocates the costs of Electric Operations support in proportion to the size and complexity of the companies receiving the services. Formulas 33 - 36 use the same formula components to allocate Electric Operations Services. The formulas differ only for the companies receiving the allocation. The formulas are applied only to companies receiving the service of a given Electric Operations cost area.

**NSTAR Electric & Gas Corporation**  
**Summary of Allocation Factors**  
**2002**

Electric Ops - Utility Composite allocation - 33		12/31/01		12/31/01	
	Net Plant **		Distrib. O & M*		Average
Beco	1,770,354,749	81%	180,854,656	74%	77.77%
Com Electric	411,075,564	19%	62,256,315	26%	22.23%
Total	<b>2,181,430,313</b>	<b>100%</b>	<b>243,110,971</b>	<b>100%</b>	<b>100%</b>

\* Distribution O & M includes customer accounts, cust. Service and informational and sales expenses DTE pg 322.

\*\* Per FERC Form 1 page 200, Line 15.

**Allocation Method Application and rationale:**

Central services for Electric Operations are allocated based on an equal weighting of Net Plant and distribution O&M. This formula allocates the costs of Electric Operations support in proportion to the size and complexity of the companies receiving the services. Formulas 33 - 36 use the same formula components to allocate Electric Operations Services. The formulas differ only for the companies receiving the allocation. The formulas are applied only to companies receiving the service of a given Electric Operations cost area.

NSTAR Electric & Gas Corporation  
Summary of Allocation factors  
2002

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Electric Ops - Utility Composite allocation - 34			
	12/31/01	12/31/01	
	Net Plant **	Distrib. O & M*	Average
Beco	1,770,354,749	95%	180,854,656 94%
Cambridge	98,975,362	5%	12,120,693 6% 5.79%
Total	<u>1,869,330,111</u>	<u>100%</u>	<u>192,975,349</u> <u>100%</u> <u>100%</u>

\* Distribution O & M includes customer accounts, cust. Service and informational and sales expenses DTE pg 322.

\*\* Per FERC Form 1 page 200, Line 15.

Allocation Method Application and rationale:

Central services for Electric Operations are allocated based on an equal weighting of Net Plant and distribution O&M. This formula allocates the costs of Electric Operations support in proportion to the size and complexity of the companies receiving the services. Formulas 33 - 36 use the same formula components to allocate Electric Operations Services. The formulas differ only for the companies receiving the allocation. The formulas are applied only to companies receiving the service of a given Electric Operations cost area.

**NSTAR Electric & Gas Corporation**  
**Summary of Allocation Factors**  
**2002**

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Electric Ops - Utility Composite allocation - 35					
	12/31/01		12/31/01		
	Net Plant **	Distrib. O & M*	Distrib. O & M*	Average	
Com Electric	411,075,564	81%	62,256,315	84%	82.15%
Cambridge	98,975,362	19%	12,120,693	16%	17.85%
Total	<b>510,050,926</b>	<b>100%</b>	<b>74,377,008</b>	<b>100%</b>	<b>100%</b>

\* Distribution O & M includes customer accounts, cust. Service and informational and sales expenses DTE pg 322.  
\*\* Per FERC Form 1 page 200, Line 15.

**Allocation Method Application and rationale:**

Central services for Electric Operations are allocated based on an equal weighting of Net Plant and distribution O&M. This formula allocates the costs of Electric Operations support in proportion to the size and complexity of the companies receiving the services. Formulas 33 - 36 use the same formula components to allocate Electric Operations Services. The formulas differ only for the companies receiving the allocation. The formulas are applied only to companies receiving the service of a given Electric Operations cost area.

NSTAR Electric & Gas Corporation  
Summary of Allocation Factors  
2002

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Electric ops - Territory Square Mileage -36		
<u>Cost area 16215 Allocator</u>		
Square mileage by service territory		
Boston Edison	620	35.80%
Conn Electric	1,105	63.80%
Cambridge Electric	7	0.40%
Total allocation base	<u>1,732</u>	<u>100.00%</u>

Allocation Method Application and rationale:

Vegetation Management services (cost area 16215) are allocated based on the square mileage of the Electric utility's service territory. This formula allocates the costs of Vegetation Management directly in proportion to the size of the service territory receiving the vegetation management service.

**NSTAR Electric & Gas Corporation**  
**Summary of Allocation Factors**  
**2002**

Electric Ops - Utility Composite allocation - 37		12/31/01		12/31/01	
	Net Plant **		Distrib. O & M*		Average
BECo	1,770,354,749	69%	180,854,656	60%	64.41%
Com Electric	411,075,564	16%	62,256,315	21%	18.33%
NSTAR Gas	301,846,741	12%	44,923,729	15%	13.33%
Cambridge	98,975,362	4%	12,120,693	4%	3.94%
Total	<b>2,582,252,416</b>	<b>100%</b>	<b>300,155,393</b>	<b>100%</b>	<b>100%</b>

\* Distribution O & M includes customer accounts, cust. Service and informational and sales expenses DTE pg 322, for Gas page 46,47  
\*\* Per FERC Form 1 page 200, Line 15, for Gas DTE return, pg 13, L 9-123

**Allocation Method Application and rationale:**

Operational services that apply to the 4 utilities, such as System Implementation and Strategy, are allocated based on an equal weighting of Net Plant and distribution O&M. This formula allocates the costs of Operations support in proportion to the size and complexity of the companies receiving the services.



